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I N D E X

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1 COURT SECURITY OFFICER: All rise.

2 THE COURT: Be seated, please.

3 All right. Counsel, this is the time set for
4 pre-trial matters to be taken up with the Court in the case
5 of PPS Data versus Jack Henry & Associates. This is Civil
6 Case No. 2:18-CV-007.

7 Let me call for announcements at this time.

8 What says the Plaintiff?

9 MR. MADDOX: Appearances?

10 THE COURT: Yes, I want an announcement, who you
11 are and are you ready to proceed?

12 MR. MADDOX: Yes, we are.

13 THE COURT: Give me your names.

14 MR. MADDOX: Steven Maddox for the Plaintiffs.

15 THE COURT: Introduce your co-counsel.

16 MR. MADDOX: Anthony Son for the Plaintiffs, Kaveh
17 Saba for Plaintiffs, and Matt Ruedy. We're from the firm
18 Maddox Edwards.

19 THE COURT: All right. And you're ready to
20 proceed with pre-trial?

21 MR. MADDOX: Yes, we are.

22 THE COURT: What says the Defendant?

23 MR. MAZINGO: Your Honor, Jason Mazingo here on
24 behalf of Jack Henry & Associates, along with Jay Heidrick
25 and Adam Daniels, Jason Wietjes, and Randy Alexander. And

1 our client rep, Your Honor, today is Andy Wimmer. And we
2 are present and ready.

3 THE COURT: All right. Counsel, I have some
4 housekeeping matters to go over with you which I'll do in
5 just a moment, but as a part of those and before I go into
6 the typical housekeeping instructions with counsel, I have
7 a couple additional things that are not typical I want to
8 cover.

9 First of all, on the Plaintiff's side, it appears
10 that Jon Bentley Hyland appeared in this case as counsel --
11 co-counsel for Plaintiffs. Mr. Hyland hasn't filed
12 anything in the case since February. He has not withdrawn.
13 He either needs to appear, or he needs to withdraw. And
14 somebody on the Plaintiff's side needs to get a message to
15 him that I'll expect him at trial or I'll expect him to
16 withdraw formally before trial.

17 Can somebody on the Plaintiff's side address
18 Mr. Hyland's status with -- for me, please?

19 MR. SON: Yes, Your Honor. Mr. Hyland actually
20 has withdrawn, and Your Honor did enter an order for his
21 withdrawal. I noticed -- excuse me -- I noticed that, as
22 well, when the Court clerk sent us an email yesterday and
23 saw that his name was on that email -- email address, but
24 in the notice of -- in the motion for withdrawal of
25 Mr. Vital, it included both Mr. Vital and Jon Hyland in

1 there.

2 So if they need to be filed separately, we'll
3 certainly file that promptly, Your Honor. But my
4 understanding is that both of them have been withdrawn,
5 Mr. Vital and Jon -- Jon Hyland.

6 THE COURT: Do you have a docket number reference
7 to that order?

8 MR. SON: I don't have that right with me, but I
9 can certainly look it up, Your Honor.

10 THE COURT: All right. Well, we need to get to
11 the bottom of that. And if -- if I'm mistaken and he's
12 been formally allowed to withdraw by prior order, then I'm
13 satisfied, whether it's coupled with something else or
14 whether it's on a stand-alone basis. If for some reason
15 that's not correct, we need to get that taken care of
16 promptly.

17 MR. SON: We will, Your Honor.

18 THE COURT: Okay. All right. Second thing, both
19 sides in this case have filed motions with the Court
20 seeking those motions and other matters to be sealed. And
21 the Court has ordered their sealing. The rules of this
22 Court require that you file a redacted public version of
23 those sealed documents. Nobody on either side of this case
24 has filed any redacted public versions of the documents
25 that you've asked me to seal. You'll do that by 9:00

1 o'clock tomorrow, or I will unseal every sealed document in
2 the case. All right?

3 Thirdly, the Defendants have not formally, that I
4 can see, designated lead counsel in the case. Under the
5 local rules, you are required -- both sides are required to
6 designate lead counsel formally and filing a designation of
7 such on the record.

8 You'll do that by 9:00 o'clock in the morning, or
9 I'll pick the youngest lawyer that's appeared, and I will
10 designate him as lead counsel for the Defendants, okay?

11 MR. MAZINGO: Understood, Your Honor.

12 THE COURT: All right. As you are aware, this
13 case is set for jury selection and the beginning of trial
14 on September 9th of this year at 9:00 a.m.

15 The Court intends for the Clerk to play the FJC's
16 patent video to the venire panel before jury selection
17 begins.

18 During jury selection, I'm going to afford each
19 side 30 minutes to examine the venire panel.

20 As is the typical practice in this court, of those
21 30 minutes, each side is afforded the option of using up to
22 three of their 30 minutes for a non-argumentative,
23 high-level factual statement of what's at issue in the
24 case. In other words, counsel, I -- I will permit you to
25 give a very high-level, barebones, non-argumentative

1 overview of what's before the jury or the jury panel.

2 If it becomes argumentative in the least, I will
3 call you on it in front of the panel, which is something
4 you don't want me to do. So make sure if you do it, that
5 it stays non-argumentative and very high level.

6 I intend to seat eight jurors in this case, and
7 each side will be afforded four peremptory challenges.

8 Each side will be given and afforded 12 hours per
9 side to present your case-in-chief -- your evidence. That
10 does not include opening statements or closing arguments or
11 jury selection.

12 Each side will be given 30 minutes per side for
13 opening statements. Each side will be given 30 minutes per
14 side for closing arguments.

15 Plaintiff may reserve a portion of their 30
16 minutes for their final closing argument. The only
17 requirement there is that you must use at least 50 percent
18 of your total time in your first closing argument. You
19 can't take 30 minutes and give a two-minute opening/closing
20 and a 28-minute final closing. You've got to use at least
21 15 minutes of it in your first closing argument.

22 During the course of the trial and beginning on
23 September the 9th, the Court will endeavor to be in
24 chambers by at least 7:30 each morning. It's my intention
25 after the jury is selected and we begin the trial to bring

1 the jury in each day at about 8:30. That intervening hour,
2 from 7:30 to 8:30, is there for counsel to use in the event
3 there are unresolved disputes regarding demonstratives or
4 other issues that arise where you can seek and obtain the
5 Court's guidance before I bring the jury in.

6 That also will maximize the effect of your
7 designated trial time by not wasting your time on the
8 record taking up issues that I can help you with from 7:30
9 to 8:30 each morning.

10 As a part of that, in your pre-trial order, you've
11 laid out a process by which you will disclose
12 demonstratives and witnesses the night before. You'll meet
13 and confer. And if there are unresolved disputes, you'll
14 notify the Court staff. And those are the things I can
15 take up at 7:30 with you the next morning.

16 You need to make sure that my -- my staff -- my
17 law clerks are advised of any surviving and unresolved
18 disputes from that process not later than 10:00 p.m. on the
19 night before you come in to see me the next morning.

20 Now, the fact that you've reached those disputes
21 and you haven't resolved them doesn't mean you don't have a
22 continuing obligation to continue to discuss them between
23 the time you notify the Court's staff and the time you show
24 up the next morning at 7:30.

25 Consequently, I've experienced several

1 circumstances where at 10:00 o'clock, my staff's advised
2 that we have six remaining disputes we can't work out. And
3 then everybody shows up at 7:30, and we're down to two, and
4 four of them have been resolved. The problem is I've spent
5 time looking at those four that are resolved that's been
6 wasted.

7 So what I'm going to add to your list of things to
8 do is by 7:00 o'clock the next morning, you should deliver
9 a three-ring binder to chambers that has a written
10 statement of where you are, what's still at issue, and the
11 competing proposals on any disputed issue between the two
12 parties. That way I'll know not to waste my time on
13 something that's been resolved over the remainder of the
14 evening.

15 Also, with regard to any disputed deposition
16 clips, designations and counter-designations, I don't
17 typically take those up all in advance as a part of
18 pre-trial. I do that on a rolling basis throughout the
19 trial.

20 The only requirement is if you have a dispute on
21 designation -- excuse me, deposition designations to play
22 before the jury, I need to know about that dispute not
23 later than the day before the day you intend to present
24 them. I don't want to have to delay the trial because the
25 tape has got to be recut and edits have to be put in, and

1 we can't go forward with the deposition witness because of
2 that.

3 So make sure I know about any disputes on
4 designations and counter-designations with regard to
5 depositions that you're going to present to the jury not
6 later than the day before you're going to present them.

7 It's my practice, as the rules allow, to take up
8 any motions under Rule 50(a) after all the evidence is
9 presented. I won't hear motions under Rule 50(a) when the
10 Plaintiff rests its case-in-chief. I will hear those
11 motions after the Defendant has rested its case-in-chief
12 and the Plaintiff has rested any rebuttal case they may put
13 on. When all the evidence has been presented, then I'll
14 hear motions under Rule 50(a) from both Plaintiffs and
15 Defendants at one time.

16 After I've heard motions under Rule 50(a) and
17 ruled on those, I'll then conduct an informal charge
18 conference in chambers with counsel where we can have an
19 open and informal and free-flowing discussion of the
20 current status of the proposed final jury instructions and
21 verdict form where I can get complete and open input from
22 both sides.

23 Having heard that and taken that into account,
24 having an opportunity to query counsel about their
25 respective positions, I'll then take all of that

1 information from the informal charge conference, and I'll
2 generate what the Court believes to be the appropriate
3 final jury instructions and verdict form. I'll give you
4 those, and then after you've had an opportunity to review
5 them, I'll conduct a formal charge conference on the record
6 where any issues that you think are appropriate can be
7 raised by objection on the record.

8 You should understand that by the time you get
9 those from me in advance of the formal charge conference, I
10 have pretty well decided that's what I think the charge and
11 the verdict form should say. I'm not telling you I can't
12 be persuaded in the formal objections, but it's important
13 for me to have everybody's full input in the informal
14 charge conference for this process to be as efficient as it
15 can be.

16 During the course of the trial and at any time
17 we're on the record, you are instructed not to refer to any
18 individual by first name only. That's your co-counsel,
19 that's your IT person, that's any witness, that's anybody
20 anywhere.

21 The Court believes that referencing individuals by
22 first name only on the record is inherently confusing in
23 the transcript, and it does not maintain the requisite
24 decorum necessary for a United States District Court.
25 Don't refer to anybody by first name only. Instruct your

1 witnesses to follow that same practice.

2 If your witnesses don't, then you'll get credit
3 for having not instructed them, okay?

4 It's perfectly fine to use complete names. It's
5 perfectly fine to use appropriate titles where they've been
6 earned. Dr. John Smith, Mrs. Alice Jones. Just don't
7 refer to Alice, Jim, Bob, Sally, and Betty. That's
8 confusing. That's not appropriate.

9 I refer you to the Court's standing order on
10 sealing the courtroom as a means to protect proprietary and
11 confidential information that's going to be presented
12 during the course of the trial. That is my practice. It's
13 laid out in that standing order. You should make sure
14 you're familiar with that standing order.

15 It goes without saying you should make sure you're
16 familiar with all the Court's standing orders and the local
17 rules of this district, but in this particular instance, I
18 want to draw your attention to my standing order on sealing
19 the courtroom.

20 Even if there are not people in the courtroom who
21 would orally overhear what's going to be presented, if you
22 do not ask me to seal the courtroom, then the testimony is
23 public in the transcript, and anybody can read it. And I
24 do not intend to have a wide-ranging redaction process
25 after the trial. You protect the transcript by sealing the

1 courtroom or asking the Court to seal the courtroom during
2 the course of the trial.

3 The redaction process should be limited only to
4 such things as dates of birth, Social Security numbers,
5 driver's license numbers, particular personal identifiers
6 that might otherwise have found their way into the record.

7 But for the protection of proprietary and
8 confidential information, you should comply with the
9 Court's standing order on requesting that the Court seal
10 the courtroom.

11 The Court routinely allows a juror questionnaire
12 to be used by counsel in the case. It -- it enhances the
13 jury selection process and maximizes the designated time
14 I've given you to query the jury panel.

15 I do not find that there's been a juror
16 questionnaire submitted in this case. I will still permit
17 it, but I've checked with the deputy in charge, and she is
18 right at the deadline for sending out the summons to
19 summons our jury panel. Jury questionnaires are sent with
20 the summons, so when people are summonsed, they also get
21 the juror questionnaire, and they're instructed to fill it
22 out and send it back.

23 If you want to use a juror questionnaire in this
24 case, you need to give it to me by 2:00 p.m. tomorrow, so
25 that I can review it and approve it. And then you'll need

1 to coordinate with Ms. Clendening, our deputy in charge,
2 and make sure that she has everything she needs so that
3 when she sends the summons, she can send the approved juror
4 questionnaire with them. I'll review it promptly, but I
5 need to have it not later than 2:00 p.m. tomorrow if you
6 want me to review it and approve it before she would send
7 it out with the summons.

8 I'm going to direct and require that both sides
9 work together jointly to prepare 10 juror notebooks for use
10 during this trial. Those juror notebooks should be
11 comprised of simple three-ring binders which each include a
12 complete copy of each of the patents-in-suit. It should
13 include a side-by-side chart showing the actual terms that
14 have been construed by the Court as a part of the Markman
15 or claim construction process.

16 I do not intend for you to include the Court's
17 Markman order. I do not want any analysis. I simply want
18 on the left-hand column the term that was at issue and in
19 the right-hand column the construction the Court's adopted
20 so that the jury can have an easy side-by-side reference in
21 those juror notebooks.

22 Also, you are to include a single page for each
23 possible witness in the trial, either live or by
24 deposition. Each witness page should have a head and
25 shoulders photograph of the witness superimposed at the top

1 of the page. Underneath the photograph should be a proper
2 name identifying the witness. I do not want you to
3 characterize the witness. For example, there should be a
4 page with a photograph, and it may say Dr. John Jones. It
5 should not say Dr. John Jones, Plaintiff's expert on
6 infringement or technical expert or damages expert or
7 whatever, just their complete name identifying them.

8 The remainder of those pages should be single
9 lined -- single-ruled lines for note taking. And those
10 witness pages should be tabbed with the witness's name so
11 that it's easy for the jury to find each respective page
12 when the witnesses are called.

13 They're not often called in the exact order
14 they're put in the notebooks, so I don't want the jury
15 having to fumble for those witness pages.

16 Then in addition to the witness pages, those
17 notebooks should each include a new three-hole punched
18 legal pad for additional note taking. And in the front
19 flap of each notebook, there should be a non-clicking
20 ballpoint pen that they can use for note taking, as well.

21 Those 10 notebooks should be delivered to chambers
22 not later than noon on September the 5th.

23 All right. Are there questions about those
24 instructions from either Plaintiff or Defendant?

25 MR. MADDUX: Yes, Your Honor. With respect to

1 the -- the 10:00 p.m. notifying the Court of issues and the
2 7:00 a.m. providing the binder with the remaining issues,
3 the notice to the Court at or before 10:00 p.m. the night
4 before, what is the nature of that? Should that be --

5 THE COURT: That's an email.

6 MR. MADDUX: That's an email saying we have issues
7 or an email saying these are the issues?

8 THE COURT: It's an email that says, we've met and
9 conferred, the following issues are still in dispute, and
10 we haven't resolved them. The Plaintiff's position is A.
11 The Defendants' position is B. We'll update you by 7:00
12 o'clock as to which of these have been resolved before we
13 meet with you tomorrow morning.

14 MR. MADDUX: Thank you.

15 THE COURT: Then at 7:00 o'clock, I get a binder
16 that says of those six items referred to in our 10:00
17 o'clock email, four of them have been resolved, two remain,
18 those two are A and B, and the Plaintiff's position on each
19 is as follows, and the Defendants' position on each is as
20 follows.

21 MR. MADDUX: Thank you.

22 THE COURT: All right. Any questions from
23 Defendants?

24 MR. MAZINGO: No questions, Your Honor.

25 THE COURT: All right. All right. Counsel, let's

1 move to the disputed pre-trial matters before the Court.
2 And let's first take up the 101 motion, which is
3 Defendants' motion for summary judgment regarding patent
4 ineligible subject matter. That's Docket No. 81.

5 Let me hear from the moving Defendant first.

6 MR. MAZINGO: Your Honor, Mr. Heidrick will be
7 offering argument on our behalf of that motion.

8 THE COURT: That's fine.

9 Let me just ask this, too. Given that we have
10 quite a few lawyers in the room, I understand different
11 ones on each trial team will argue different matters.
12 That's perfectly fine and typical. Just make sure when you
13 go to the podium, even if it's your third trip, the first
14 thing you do is introduce yourself for the record so it's
15 completely clear who's arguing what.

16 MR. HEIDRICK: Yes, Your Honor.

17 THE COURT: Go ahead, Defendant.

18 MR. HEIDRICK: Thank you, Your Honor. My name is
19 Jay Heidrick, Polsinelli, on behalf of Jack Henry &
20 Associates, the Defendant.

21 May it please the Court.

22 All issues of -- all asserted claims that remain
23 in this case are abstract ideas that should be invalidated
24 under 35 U.S.C. Section 101. They're all directed to the
25 abstract idea of check processing which is nothing more

1 than collecting, comparing, organizing, storing, and
2 disseminating check information.

3 In our briefing, we've laid out how each claim has
4 a central system and how each central system of each
5 asserted claim does nothing more than the collection,
6 organizing, comparing, storing of data.

7 We've compared that to Claim 1 of the '430 patent,
8 which, again, shows the central system doing nothing more
9 than these routine conventional abstract ideas.

10 THE COURT: Well, let's talk about Step 2 of the
11 Mayo/Alice analysis. That's really where the fight is
12 here.

13 MR. HEIDRICK: Okay. Do you have a question, or
14 do you want me to just focus on that?

15 THE COURT: Let's go on to Step 2.

16 MR. HEIDRICK: Okay. The main issue with Step 2
17 is is there inventive concept. And the only thing that --
18 with the inventive concept that the Plaintiff has pointed
19 to is the bypassing function, that this was a new invention
20 that -- that -- because it bypasses certain systems of a
21 bank of first deposit on the transmission step.

22 That's not a sufficient structure to -- to create
23 a patentable idea, Your Honor. If I send you an email,
24 Your Honor, I have bypassed every other person in the world
25 simply because I've sent it directly to you. That's --

1 that's the claimed inventive concept.

2 So the fact that they have decided that we're
3 going to send information in a particular way is not --
4 is -- is not patentable because all -- that's traditional
5 transmission of information of sending it from one place to
6 another and not to any other place. That's just
7 transmitting data.

8 On the routine and conventional aspect, Your
9 Honor, they submit the affidavit of Dr. Michael Shamos, who
10 opines that this is not a routine and conventional
11 arrangement of components, and, therefore, it's a fact
12 question for the jury.

13 On summary judgment, as you well know, Your Honor,
14 the question is where -- is there any disputed fact? There
15 is no disputed fact that these are routine conventional
16 computer components, that these are known transmission
17 lines, that there's nothing unique in the programming or
18 anything that goes along with this, that these are just
19 generic computer components operating in their known and
20 expected manner. That's all undisputed.

21 As far as the routine and conventional -- and
22 Berkheimer says this -- that if the specification says that
23 the claimed invention is routine and conventional, then
24 that is strong evidence that it was routine and
25 conventional at the time.

1 As for Dr. Shamos, Dr. Shamos does not say that
2 this is new technology. He doesn't say that this is a new
3 type of information that's being used to process checks.
4 He doesn't say that this is some inventive concept.

5 His point as to why this is not routine and
6 conventional and novel is that the check processing that
7 goes along at banks doesn't have to perform at the bank of
8 first deposit.

9 THE COURT: In contrast to the situation in the
10 Solutran case where the patent and the extrinsic evidence
11 expressly disclaimed any novelty, isn't it true that the
12 intrinsic record here does just the opposite and it says
13 that this is -- as of 2000 or the appropriate date, this is
14 new and novel and inventive?

15 MR. HEIDRICK: I don't believe so, Your Honor. It
16 says that this is -- and that's where we get into
17 conflating 102 with 101. And if you have an improvement on
18 an abstract idea, it's still an abstract idea.

19 So -- they may have been able to get a patent on
20 this as of April of 2000, but it is still utilizing known
21 computer components to operate in routine known ways. And
22 that's exactly what Dr. Shamos says in his affidavit is
23 he's not saying that these are new components or that
24 improves the functionality of a computer, he just says that
25 the known process of check processing is being done

1 somewhere else, and that's it.

2 And so when you look at -- so -- so the technology
3 of check processing, which is what this is, is the -- is
4 not an -- an improvement. It's the same information that's
5 being -- if I was to process a check by hand and look at
6 the check and -- and take that information -- and this is
7 undisputed, as well, I can process that check, as well, by
8 hand using -- in addition to their -- their -- the same way
9 that their claimed invention does, Your Honor.

10 THE COURT: I want to go back a minute.

11 Obviously, this Solutran decision has been to some
12 extent the 800-pound gorilla in the room on the 101 issue,
13 and the Court delayed its ruling while that case went up to
14 the Federal Circuit, and I've seen the Federal Circuit's
15 opinion.

16 But in that case -- in that case, the Circuit
17 relied on a disclaimer in the patent saying that the steps
18 were conventional. But I do not find that the patents at
19 issue here include that kind of disclaimer as to
20 conventionality.

21 And, in fact, it seems to me that the patents at
22 issue here affirmatively note that this electronic check
23 proc -- processing functionality was unconventional at the
24 time the patent was issued.

25 Do you not agree with that? Do you think that's

1 wrong?

2 MR. HEIDRICK: I -- I don't agree with that, Your
3 Honor. And because the -- the patent itself has nine pages
4 of prior references that detail electronic check processing
5 issues.

6 For example, the prosecution history itself talks
7 about the Geer reference that -- that -- that was an
8 initial rejection that deal with check processing issues.

9 The -- so the -- the issue is that it was check
10 processing in a different way that -- that allowed them to
11 get a patent on it, but it's still the abstract idea of
12 check processing.

13 And their -- and their claimed -- and their
14 claimed inventive concept with it is that they bypass the
15 various -- what I call the prohibited systems of the
16 asserted claims, Your Honor.

17 THE COURT: Now, you said that the only issue
18 regarding inventive concepts was the potential bypass of
19 the magnetic ink character recognition, the MICR. Isn't
20 there a potential inventive concept issue on the '106
21 patent regarding the real-time monitoring issue?

22 MR. HEIDRICK: No, Your Honor. And the Federal
23 Circuit said -- the Federal Circuit has rejected that the
24 real-time monitoring, the comparing, those types of things
25 are unpatentable, as well -- as well under 101 because it

1 goes to the -- again, the business practice idea of
2 comparing data.

3 And we cited the Joao Bock decision with that, as
4 well, that -- that that was a real-time monitoring decision
5 that was held invalid under 101.

6 At the end of the day, the patents simply do
7 something that has been done by hand for decades and use
8 general computer components to do that.

9 And every check processing patent that has gone up
10 to the Federal Circuit has been invalidated under 101 with
11 Data Treasury, with Solutran, and with Content Extraction,
12 because they simply claim inventions on known abstract
13 ideas and improvements on known and abstract ideas. And
14 the Federal Circuit has repeatedly argued -- or repeatedly
15 held that an improvement to an abstract idea is just still
16 an abstract idea.

17 THE COURT: What else, counsel?

18 MR. HEIDRICK: I would ask that the Court -- let
19 me check my notes, Your Honor, if I could real quick.

20 THE COURT: That's fine.

21 MR. HEIDRICK: And I would -- I would also direct
22 the Court's attention to Page 5 of the Solutran decision,
23 Your Honor, where the Court -- and this is -- it goes to
24 Dr. Shamos's opinion of routine and conventional -- where
25 the same process is being done that has always been done

1 at -- at banks. The MICR capture, all the stuff that's
2 been done at banks, it's just being done at a different
3 location now. And that's -- that's the -- one of the --
4 the -- the advancement over prior art that he claims.

5 And as Solutran said in -- in a similar issue, the
6 location of scanning in comparison whether it occurs down
7 the hallway, down the street, or across the city does not
8 detract from the conclusion that these claims or are at
9 bottom directed to getting the merchant's account credited
10 from the customer's purchase as soon as possible --

11 THE COURT: If you're going to read, please
12 slow -- slow down.

13 MR. HEIDRICK: I'm sorry.

14 THE COURT: Talk to me a minute about the issue of
15 representativeness. I think it's your position that Claim
16 1 of the '430 patent represents all the claims that are at
17 issue here.

18 MR. HEIDRICK: Yes, Your Honor.

19 THE COURT: Tell me why you think that and what
20 your support for that is.

21 MR. HEIDRICK: We have gone through five pages of
22 analysis in our brief, Your Honor, where we analyzed every
23 claim and compared it to the '430, the reason being that
24 each of the claims at issue have a central system that
25 performs certain known functions. And we've analyzed how

1 each of those claims -- the asserted claims relate back to
2 the same claim as the '430 and perform the same abstract
3 idea of check processing.

4 In addition to that, Your Honor, we cited to -- in
5 response to your question in your previous order on this
6 issue as to the terminal disclaimer, the effects of the
7 terminal disclaimers on the patent prosecution which is
8 undisputed and -- in the motion that those were entered in
9 order to overcome double patenting objections.

10 We've cited to testimony of one of the inventors
11 who said that these are basically the same patent -- his
12 invention is basically the same patent. We've cited to
13 testimony from Plaintiff's expert who has, again, opined
14 that these are the same idea, the same patents.

15 There's going to be different -- it's -- it's
16 undisputed that they're going to have different claim
17 language in it, but all of the claims go to the same
18 abstract idea, the same concept of check processing or
19 collecting and comparing and transmitting, analyzing data.
20 That's a known business practice, and we've laid out
21 extensive evidence and argument on that, Your Honor, as to
22 why Claim 1 is representative as the other claims.

23 THE COURT: All right. Do you have any other
24 argument for me?

25 MR. HEIDRICK: Not at this time, Your Honor.

1 THE COURT: Let me hear from Plaintiff in
2 response, please.

3 MR. MADDOX: Good afternoon, Your Honor. Steven
4 Maddox for the Plaintiffs.

5 THE COURT: Go ahead, counsel.

6 MR. MADDOX: Let's just jump in with -- with where
7 it all starts.

8 Counsel referred to Content Exhaustion [sic],
9 Solutran, and Data Treasury. The reason why all of those
10 were invalidated at the Federal Circuit lies in the claims,
11 which is where their motion is afraid to go on us.

12 When you -- take, for instance, Content
13 Extraction. The claim actually there is at 1348 of 776
14 F.3d. The claim reads: A method of processing information
15 from a diversity of types of hard copy documents, said
16 method comprising the steps of -- and it lists three --
17 receiving input, recognizing portions, and storing
18 information. That is a building block abstract idea.
19 That's what that claim is directed to. That should not be
20 patented.

21 Similarly, in Solutran, the answer, again, is in
22 the claims. This is at Star 2 in the Westlaw publication
23 of Solutran. The claim they were dealing with says: A
24 method for processing paper checks comprising, A,
25 electrically receiving a data file, and there's some more

1 language, but you'll see it there; B, crediting an account;
2 C, receiving paper checks; and D, using a computer to
3 compare images of the paper checks with the data file.

4 Again, that is a basic building block abstract
5 idea of getting data and an image and comparing it. These
6 are not systems, and these are not claims to improvements
7 in -- in automated check processing systems like ours are.

8 Most importantly is the state of the record on
9 Step 2. We have the evidence of our expert, Dr. Shamos, as
10 to why the claims are a non-conventional arrangement of
11 known conventional pieces and why figuring out a way for
12 multiple banks to go through a third-party site without
13 having to go through their -- each of their own microreader
14 accounting, cash management, float point systems, why that
15 was precisely the opposite of was conventional and routine.
16 What was conventional and routine was to run these checks
17 through everything else. In this way, what they were
18 claiming was a better or better performing automatic check
19 system.

20 With respect to your comments about wasn't this
21 unconventional, wasn't this new, you're absolutely right.
22 In fact, their expert -- in our briefs, we cite this --
23 Michalson agrees it was new because that's what the patent
24 examiner said. Shamos says it as well. It was new.

25 Now, if he would like to split -- if -- if counsel

1 would like -- if -- if Jack Henry is trying to split hairs
2 between new and non-conventional, I would suggest that
3 non-conventional is a more high standard than novel or
4 non-obvious.

5 In fact, we've cited the federal case law that
6 says so. In order to be something that's conventional, it
7 needs to be something much more than just a period in the
8 art.

9 The bottom line here is you've -- we've presented
10 you with -- well, they've presented you with a factual
11 issue. They had a chance to put in some evidence on this
12 factual issue. They chose not to.

13 We did. The expert evidence before you is
14 un rebutted. We think on summary judgment that means it
15 should be denied.

16 We think we fit much better into -- like the
17 BASCOM case, which is where the non-conventional
18 arrangement came from, and the most recent Cellspin
19 case which is now a few weeks old -- I'm sorry, a little
20 bit more than a month old, but it was about a week old when
21 we filed our opposition.

22 And in Cellspin, what the Court concluded was --
23 again, similar arguments. In particular, they, the
24 Cellspin claims, recite a specific plausibly inventive way
25 of arranging devices using protocols rather than the

1 general idea of capturing, transferring, and publishing
2 data.

3 That's us. That's what Dr. Shamos says is us, and
4 that's what there's no evidence to the contrary, just
5 attorney argument.

6 Nothing further, unless you have questions.

7 THE COURT: Well, twice I've asked Defense counsel
8 if the patents-in-suit here include the kind of express
9 disclaimer of conventionality that's included in the
10 Solutran patents. My reading of the patents-in-suit here
11 is that they don't include a disclaimer of conventionality.
12 And, in fact, they intrinsically indicate that this check
13 processing functionality was unconventional at the time the
14 application was filed back in 2000. He's told me twice I'm
15 wrong about that. What's your view on that issue?

16 MR. MADDOX: I'm not aware of any such disclaimer,
17 and in the intrinsic evidence, as we've laid out on Pages
18 15 through 18 of our opposing brief, Document No. 91, is to
19 the contrary.

20 It is explaining, hey, we've come up with this
21 great idea, this -- this way that we can -- that a number
22 of things are possible, not the least of which is
23 third-party check processing which Jack Henry went into the
24 business of doing.

25 No, there has been no disclaimer, and that's why

1 we're different than Solutran. There is an actual
2 inventive arrangement of things to improve the performance
3 of automated check processing systems.

4 THE COURT: What's your view on the real-time
5 monitoring issue regarding the '106 patent?

6 MR. MADDOX: That's something that they failed to
7 address in their representativeness, and it is another --
8 for the '106 patent, it is an additional advance over the
9 prior art, which is not addressed by their arguments.

10 THE COURT: All right. Thank you, Mr. Maddox.

11 MR. MADDOX: Thank you.

12 THE COURT: Mr. Heidrick, do you have any short
13 rebuttal to give me on this?

14 MR. HEIDRICK: Yes, Your Honor. Very short.

15 I would -- I would agree there is no express
16 disclaimer like in the Solutran case. I just want to make
17 sure I'm clear on that. But I would point you to Column 3,
18 Line 5, of the '430 patent, with the specifications that
19 are shared by all the patents. The '106 is a little bit
20 different, but that's immaterial here.

21 And these types of references are throughout the
22 specification where it talks about routing the data through
23 normal check clearing paths and doing the same check
24 processing functions that have been done for years just at
25 a different location.

1 THE COURT: All right. Anything else?

2 MR. HEIDRICK: No, Your Honor. Thank you.

3 THE COURT: Counsel, the Court takes all these
4 matters set for pre-trial today seriously, although the
5 Court gives particular seriousness to the 101 issue, both
6 because it's totally dispositive in the case potentially
7 and because I don't know anybody that would say this is a
8 clear and unambiguous area of the law. It's a difficult
9 issue, and there's less than perfect guidance out there.

10 When the Federal Circuit expressly says, Congress,
11 please fix this, it's a pretty good indication of the state
12 of affairs that we're in.

13 Consequently -- and I'm aware that both sides have
14 filed what you've titled as a notice in this case, post the
15 Solutran decision coming out.

16 I'm going to order each side to prepare and file
17 by noon on this Friday an additional brief on this 101
18 issue of not more than five pages. And I want you to focus
19 particularly and with specificity on what questions of fact
20 might exist as to inventiveness in the event the Court
21 concludes that this does address an abstract concept,
22 particularly with emphasis on the bypassing of the MICR
23 step and the real-time monitoring on the '106 patent,
24 together with anything else that may go to particular
25 specific inventiveness and unconventionality.

1 I'd also like you to address in further detail the
2 representativeness argument which is clearly the
3 Defendants' burden. It's going to make a very real and
4 practical difference even if the 101 motion is denied,
5 which it may well not be. I don't know what the answer is
6 as I sit here today. That's why I want the additional
7 briefing.

8 But even if this case goes forward to trial, this
9 representative issue is going to make a big difference on
10 the quantity of the evidence that's going to have to be
11 presented and the amount of time it's going to take and the
12 number of issues that are going to have to be juggled by
13 the jury.

14 And the second part of what I want this briefing
15 to -- to address is a more specific targeted addressing of
16 the representativeness issue. And I'll look for that by
17 noon on Friday.

18 Until that time, I'm going to carry the
19 Defendants' 101 motion. I anticipate giving this prompt
20 attention on Friday, and hopefully next week, getting you
21 written guidance on the 101 issue, all right?

22 All right. We're going to take a very brief
23 recess, counsel. When I come back, we are going to turn
24 next to the Defendants' motion for summary judgment of
25 non-infringement. That's Docket No. 83.

1 The Court stands in recess.

2 COURT SECURITY OFFICER: All rise.

3 (Recess.)

4 COURT SECURITY OFFICER: All rise.

5 THE COURT: Be seated, please.

6 All right. Counsel, before we go on to the
7 non-infringement summary judgment motion, I want to make
8 this clear.

9 On this additional briefing on the 101 issue, I
10 didn't dwell on Step 1 during the argument today. That
11 doesn't mean I've already decided or excluded the Step 1
12 argument.

13 I'd like the Plaintiffs to -- excuse me, I'd like
14 the Plaintiffs to spell out in their briefing precisely
15 their position on abstract concept. And if it's their
16 position that this concept is not abstract, be very
17 specific and clear as to why.

18 Also, Defendants told me today that it's abstract
19 because it has to do with check writing and check writing
20 has been around forever. That is much more broad than what
21 you put in your briefing. I want you to specify for me in
22 this additional five pages exactly the targeted area of
23 abstractness that you think is appropriate here.

24 I understand your argument that this is just
25 improvement on an abstract idea.

1 The problem is you can't make the abstract idea so
2 broad and pervasive that any improvement is just
3 improvement on an abstract idea. And I don't think, if
4 you'll read your briefing, that your position in writing is
5 that the abstract idea here is check writing. It may be
6 electronic check writing. It may be something much more
7 than the traditional paper and pen check writing that's
8 been around forever. So I want Step 1 addressed in this
9 five pages, as well.

10 Also, back to one housekeeping matter. The
11 proposed juror questionnaire -- and, again, there's a
12 standing order on the website that tells you what I expect
13 that to cover and how it should be structured. There's
14 even a sample there.

15 But that juror questionnaire needs to be emailed
16 in Word form to the deputy in charge and to my staff by the
17 deadline I gave you if we're going to meet the deadline
18 that we have to work with here and get this out so that we
19 can get it back for use when jury selection takes place.

20 All right. Let's move on to Defendants' motion
21 for summary judgment of non-infringement. Let me hear
22 argument from the Defendant, please.

23 MR. WIETJES: Your Honor, Jason Wietjes for the
24 Defendant and the movant, Jack Henry.

25 THE COURT: Proceed.

1 MR. WIETJES: The central question here, Your
2 Honor, is whether Jack Henry is a bank of first deposit
3 under the Court's claim construction.

4 Now, PPS Data argues that Jack Henry is not a bank
5 of first deposit because it's not a bank. And at first
6 blush, that may seem logical and to have some merit to it.

7 But what we have to do is look at the construction
8 for bank of first deposit in the Court's claim construction
9 order.

10 Now, that construction tells us that a bank of
11 first deposit is a financial institution, unqualified. It
12 also tells us that the bank of first deposit must sponsor a
13 remote site and it must own or employ a central site for
14 processing financial transactions.

15 But the operative and pertinent part of the
16 construction remains financial institution for purposes of
17 Jack Henry's motion.

18 Now, why is this important? Your Honor, Jack
19 Henry services two types of customers. On one hand, Jack
20 Henry services banks. So, for example, if you or I or if
21 anyone else walks into a bank and deposits a paper check,
22 that bank will take that check, along with all of the other
23 deposit -- deposited checks it receives that day, scan
24 them, and forward them on to Jack Henry for processing and
25 clearance by the Federal Reserve Bank.

1 The other type of customer that Jack Henry has is
2 a non-banking customer, for example, a rental property.
3 When the first of the month comes around, all the tenants
4 at that property bring their checks to the rental office,
5 put them in the dropbox to pay their monthly rent. That
6 rental agency will scan the checks and send them along to
7 Jack Henry for processing. Completely different customers.

8 This takes us to the Court's construction of
9 remote site, which is also very important here. The claims
10 require a mote site -- a remote site.

11 PPS Data states in its infringement contentions
12 that the remote site is Jack Henry's customers, also or
13 otherwise stated as the location where the checks to be
14 processed are scanned. The checks are scanned at the
15 customer's site, be it a bank or be it the rental property
16 non-bank customer that we've referenced.

17 Additionally, the construction for remote site
18 states that the remote site must be associated with the
19 financial institution. That's important because Jack
20 Henry's non-bank customers, again, the rental property, are
21 not associated with the financial institution. They
22 contract directly with Jack Henry.

23 On the other hand, with the banking customers,
24 Jack Henry's relationship is with that bank, not the
25 individual depositing checks at that bank.

1 So what PPS Data had stated in its contentions is
2 it is that bank, Jack Henry's customer, is the financial
3 institution associated with the remote site, again, the
4 location where the checks are scanned at the customer's
5 location.

6 This created a problem for PPS Data, however, and
7 at some point, they realized this. And, notably,
8 Dr. Shamos's expert report doesn't distinguish between bank
9 and non-bank transactions. The financial institution
10 identified by Dr. Shamos in his report, again, was the
11 bank.

12 So PPS Data and its expert, Dr. Shamos, came up
13 with a new theory because in order to infringe for these
14 non-banking transactions, again, the remote site had to be
15 associated with a financial institution. And they came up
16 with this theory the day before Dr. Shamos's deposition,
17 and their theory was, is that with respect to these
18 non-bank customers, Jack Henry is the financial
19 institution.

20 We've briefed this. The testimony that -- that
21 Dr. Shamos put on the record is referenced and attached to
22 the -- the briefing in our summary judgment motion. And we
23 said, okay, well, if -- if that's your theory of the case,
24 that Jack Henry is a financial institution, so as to meet
25 this remote site limitation for infringement purposes, then

1 let's look at the -- the construction for bank of first
2 deposit which also requires a financial institution,
3 unqual -- again, unqualified.

4 So what PPS Data is now saying, Your Honor, is
5 that Jack Henry is a financial institution, so as to be
6 associated with a remote site to meet the limitation of
7 remote site. But it's not a financial institution so as to
8 meet the limitation of a bank of first deposit because as
9 we'll explain, if Jack Henry is a bank of first deposit, it
10 cannot infringe.

11 Stated differently, what -- what they're saying,
12 Your Honor, is that PPS Data has specifically said this, if
13 you look at their briefing, that the financial institution
14 does not have to be a bank when you're talking about a
15 remote site.

16 But when you're talking about a bank of first
17 deposit, financial institution has to be a bank. So on one
18 hand, they're saying Jack Henry, not a bank, remote site,
19 infringes. On the other hand, with respect to bank of
20 first deposit, they're saying Jack Henry, not a bank,
21 cannot be a bank of first deposit, therefore, does not
22 infringe.

23 They can't have it both ways, Your Honor. The
24 Court's claim constructions for remote site and bank of
25 first deposit do not distinguish between different

1 financial institutions. They both recite a financial
2 institution, unqualified.

3 All we're saying, Your Honor, is that if -- if --
4 if they're correct and if Jack Henry is a financial
5 institution, that it's a financial institution for all
6 purposes across the board. It can't be a financial
7 institution for purposes of being a remote site, but it's
8 not a financial institution for purposes of analyzing
9 whether or not it's a bank of first deposit.

10 Let's also look at what PPS Data's expert says.
11 Dr. Shamos testified that in order to become a user -- and
12 in this context, we're talking about a customer or a remote
13 site -- of any of the accused instruments, a user must be
14 sponsored by a financial institution and thus is associated
15 with a financial institution.

16 Dr. Shamos also testified that Jack Henry is a
17 financial institution sponsoring the remote site.

18 Now, they qualified that, and they -- they said
19 that's only for the non-banking customers, but that's
20 nonetheless testimony that Dr. Shamos opined to during his
21 deposition.

22 THE COURT: All right.

23 MR. WIETJES: And so what that means, Your Honor,
24 is -- is their own expert has admitted that the literal
25 construction for bank of first deposit fits on top of Jack

1 Henry. He said: Jack Henry is a bank of first deposit.

2 Now they're arguing in their response that Jack
3 Henry is not a bank, and, therefore, it can't be a bank of
4 first deposit, but it's still a financial institution.

5 THE COURT: You're not telling me that this is
6 some kind of admission against interest that's imputable to
7 the Plaintiff through an expert witness, are you?

8 MR. WIETJES: I don't think it's an admission
9 against interest.

10 THE COURT: That's -- that's not summary judgment
11 evidence.

12 MR. WIETJES: I don't -- I -- I would -- I would
13 agree, Your Honor, and I don't think it's an admission
14 against interest. What we're saying is if that's their
15 theory, if what they're saying is that Jack Henry is a
16 financial institution, then that's fine, we can live with
17 that.

18 But if it's a financial institution, it's a
19 financial institution with respect to both of these terms
20 that are at issue.

21 And with respect to bank of first deposit, as
22 we'll -- as we'll get into next, if Jack Henry is a bank of
23 first deposit under the construction for bank of first
24 deposit, it cannot infringe these patents as a matter of
25 law. And that's the argument, Judge, not that -- not that

1 the expert has made some admission against interest that
2 we're trying to intervene into the summary judgment
3 context.

4 THE COURT: Let me ask you this, counsel. It
5 seems to me that there's at least an argument that it's
6 unclear here whether Jack Henry's EPS system is the sole
7 MICR capture -- capture, deposit accounting, cash
8 management, and float processing systems or it's a
9 secondary system that's separate from and bypasses the MICR
10 capture, deposit accounting, cash management, and float
11 processing systems of the bank of first deposit. What's
12 your position on that? Is that completely clear here? And
13 if so, how?

14 MR. WIETJES: I think it's clear, Your Honor. And
15 I think if I may give some more context to that.

16 So what -- what PPS Data will tell you, and Jack
17 Henry doesn't dispute this for purposes of this motion, is
18 that a bank of first deposit will have its own systems in
19 place.

20 So, for example, it will have its own MICR capture
21 system, its own float processing system, its own deposit
22 accounting system. And Jack Henry also does those
23 functions, and they have admitted that Jack Henry at least
24 does float processing -- and the other one -- I want to
25 make sure I tell you the right ones, deposit accounting.

1 What they'll tell you is that Jack Henry does that for
2 itself. It doesn't do it for the bank of first deposit
3 because the bank of first deposit has its own systems that
4 perform those steps, and, therefore, when Jack Henry does
5 it, it's bypassing those systems for the bank of first
6 deposit.

7 Did I lose you, or do you have further questions
8 on --

9 THE COURT: No. I guess what I'm getting at is it
10 sounds like there's potentially a fact question mixed in
11 there. And I want to know your position as to whether
12 there really is a material fact question related to whether
13 Jack Henry's EPS system is the sole avenue, whether it's
14 the secondary avenue that bypasses and is separate from.
15 That's what I'm trying to get to, if that's clear.

16 MR. WIETJES: If I understand, Your Honor, there's
17 no dispute that Jack Henry does these -- these things, the
18 float processing, the deposit accounting, at least from our
19 standpoint. We -- we're not disputing that. We -- we're
20 saying we do those things.

21 THE COURT: There's not a dispute that these are
22 done by Jack Henry's bank instead of by Jack Henry?

23 MR. WIETJES: By Jack Henry.

24 THE COURT: Okay.

25 MR. WIETJES: We don't know what the bank does,

1 Your Honor. We -- that's -- that's not in evidence in
2 terms of what the bank is doing. But with respect to what
3 Jack Henry is doing, we don't dispute that we perform these
4 four -- these four steps.

5 Now, they will tell you that we do not do MICR
6 capture at all. And we're not arguing that for purposes of
7 that because that's -- that's a fact that they're
8 disputing. But they -- they've admitted in their response
9 to Jack Henry's statement of undisputed facts that Jack
10 Henry does deposit accounting and float processing.
11 They'll say -- they say that Jack Henry is not doing that
12 for the bank of first deposit, though, it's doing it for
13 itself.

14 THE COURT: What's your position on whether or not
15 Jack Henry or its banking customers are sponsoring the
16 remote sites?

17 MR. WIETJES: So --

18 THE COURT: And is there a question of fact here?

19 MR. WIETJES: So they're -- no. Again, Your
20 Honor, there's -- in the context of -- of -- I think you
21 have to -- if I may, I think you have to analyze this
22 through the -- the lens that we're looking at, which is
23 that Jack Henry is a bank of first deposit. If Jack Henry
24 is not a bank of first deposit under the Court's
25 construction, then -- then our -- admittedly, this argument

1 is -- is not sustainable. In order -- in order for this to
2 work, Jack Henry has to be a bank of first deposit.

3 And so to answer your question, I think more --
4 more specifically, what -- what Jack Henry -- what Jack
5 Henry does in terms of the MICR capture, the -- the deposit
6 accounting, whatever it's doing, our position is that it's
7 doing that for the bank of first deposit. Otherwise, why
8 would it do it?

9 And so when you're talking about the sponsoring,
10 you -- again, remember, we have two different types of
11 customers. We have banking customers and non-banking
12 customers.

13 And so what PPS Data has alleged in their
14 infringement contentions is that the bank of first deposit
15 sponsor -- the bank -- the banking customer sponsors the --
16 the actual person that's coming to write the check at the
17 bank for purposes of -- of meeting the claim limitation.
18 Because, again, Jack Henry's relationship is not with --
19 with you or me or --

20 THE COURT: Slow down a little bit.

21 MR. WIETJES: I apologize. Or whoever is
22 depositing the check. Jack Henry's customer and Jack
23 Henry's relationship is with the bank. And so that bank
24 sponsors the -- the customer in that sense.

25 Now, with respect to the -- the non-bank

1 customers, this gets to the heart of our argument. What
2 they're saying in that context is Jack Henry is -- is
3 sponsoring the non-bank customers as the financial
4 institution. That -- that's really the -- the nexus of our
5 entire position on this summary judgment motion is that if
6 Jack Henry, as they say -- as Dr. Shamos says, if we take
7 him at his word, if that's their position, that Jack Henry
8 is a financial institution, then Jack Henry cannot
9 infringe.

10 The reason why, Your Honor, is because if Jack
11 Henry is a financial institution, then it also meets the
12 construction of bank of first deposit. If Jack Henry is a
13 bank of first deposit, they've admitted that Jack Henry
14 does float processing and these -- I mess these up -- and
15 deposit accounting.

16 So they've admitted that we do those two things.
17 And if we do those things and we're a bank of first
18 deposit, then those -- those functionalities are not being
19 performed at a system that's separate from the systems at a
20 bank of first deposit, as the claim requires.

21 THE COURT: All right. What else on this motion?

22 MR. WIETJES: At this time, Your Honor, nothing
23 further.

24 THE COURT: Let me hear Plaintiff's response.

25 MR. SON: Good afternoon, Your Honor. Anthony Son

1 of Maddox Edwards on behalf of PPS Data.

2 THE COURT: Please go ahead.

3 MR. SON: The very first question that needs to be
4 answered here is whether PPS Data is asserting that Jack
5 Henry is a bank of first deposit. It is not.

6 Our briefing has made that very clear. We said
7 that in our opposition. We said that in our sur-reply to
8 them. We have not taken the position that Jack Henry is a
9 bank of first deposit.

10 Counsel made a very interesting observation with
11 respect to the Court's definition and claim construction
12 related to a bank of first deposit. As Your Honor may
13 recall from the Court's claim construction on that -- on
14 that issue, and that's Docket No. 55, the -- with respect
15 to the bank of first deposit, the Court adopted a
16 lexicography definition.

17 Within the specification, the -- the term "bank of
18 first deposit" was defined to mean the financial
19 institution sponsoring the remote site and which owns or
20 employs a central site for processing financial
21 transactions.

22 And this is at -- Your Honor, you discussed this
23 at Page -- I'm sorry, Docket No. 55, Page 14.

24 Within that same discussion of your -- of the
25 claim construction order, on Page 16 --

1 THE COURT: Specifically respond to me -- or for
2 me, rather, to Defendants' argument that Plaintiff says
3 Jack Henry is not a bank of first deposit because it's not
4 a bank.

5 MR. SON: I'm sorry, Your Honor. I did not hear
6 you.

7 THE COURT: Respond, if you will, to the -- to the
8 Defendants' argument that Plaintiff says that the Defendant
9 is not a bank of first deposit because it's not a bank.

10 MR. SON: Your Honor, that's exactly what I'm
11 pointing to right now.

12 THE COURT: Okay.

13 MR. SON: On the screen on Page 16 of your claim
14 construction order, talking about the lexicography
15 definition, Your Honor -- and I highlighted this -- it said
16 particularly, in light of the above lexicography in which
17 the word "bank" refers to a financial institution, rather
18 than -- rather than a branch or a particular physical
19 location, the term "different bank of first deposit" refers
20 to a different financial institution.

21 The parties throughout this case do not dispute
22 that a financial institution that's discussed in the scope
23 of the patent is referring to a bank, a credit union, or an
24 entity that actually does have -- have depository accounts.
25 Indeed, the specification -- I'm sorry, the claims talk

1 about the account -- the deposit account designation of a
2 bank of first deposit. So we're talking about these type
3 of entities, banks, credit unions, and other depository
4 account offers having that.

5 And the Court -- Your Honor recognized that with
6 this statement right here. That's also consistent with the
7 other parts of the specification within the -- within
8 the -- within the -- the patent. The patent teaches
9 that -- moreover, the '430 patent teaches that the act of
10 depositing or otherwise converting the financial
11 instrument, such as a check, draft, or other instrument,
12 have generally required the physical presentment of the
13 instrument by the bearer to a financial institution such as
14 a bank, credit union, or other institution authorized to
15 accept the process monitoring instrument.

16 THE COURT: Slow down -- counsel, slow down.

17 MR. SON: I'm sorry.

18 THE COURT: When -- when counsel read this
19 volume -- I mean, the speed goes way up, and it's important
20 that you talk --

21 MR. SON: I apologize, Your Honor.

22 THE COURT: -- talk where I can follow you.

23 MR. SON: And that is at the '430 patent, Column
24 1, Lines 15 to 20.

25 THE COURT: So you're not saying Jack Henry is not

1 a bank of first deposit because it's not a traditional
2 commercial bank. You're not saying that?

3 MR. SON: We're saying that -- we are saying that
4 Jack Henry is not a commercial bank, correct. We are
5 saying that they are not -- they are not a bank. They
6 don't dispute that they are not a bank.

7 THE COURT: And you're not saying that they are
8 not a bank of first deposit because they are not a bank?

9 MR. SON: That's a double negative in there. I
10 apologize. They're not a bank of first deposit because
11 they are not a bank?

12 THE COURT: Is that your position or is that not
13 your position?

14 MR. SON: Correct, Your Honor.

15 THE COURT: Correct --

16 MR. SON: They are not a bank, and, therefore,
17 they are not a bank of first -- first deposit.

18 THE COURT: So you're saying a bank of first
19 deposit has to be a bank, it can't be a financial
20 institution, which is contrary to the claim construction.

21 MR. SON: Well, the claim construction says the --
22 I think the -- the dispute here is what is a financial
23 institution based on the Court's construction.

24 The Court construed a bank of first deposit to
25 say -- adopting the lexicographer definition. The

1 specification defined what a bank of -- what a financial
2 institution was.

3 THE COURT: So you think there's a dispute about
4 what a financial institution is?

5 MR. SON: Correct, Your Honor. I -- I think
6 that's the way they're interpreting it. We don't think
7 that that's -- they are not a bank of first deposit because
8 they are not a financial institution within the meaning of
9 the patent. That's -- that has been our position.

10 THE COURT: So your position is not that they're
11 not a bank of first deposit because they are not a
12 commercial bank. Your position is they are not a bank of
13 first deposit because they are not a financial institution
14 sponsoring the remote site and which owns or employs a
15 central site for processing financial transactions?

16 MR. SON: Correct, Your Honor.

17 THE COURT: Well, you understand, counsel, the
18 record here is -- with regard to financial institution is
19 pretty broad, whether it's a savings and loan, whether it's
20 a credit union. It can be a lot of things and still be a
21 financial institution.

22 MR. SON: That is -- that is correct, Your Honor.
23 I agree with that. And financial institutions would also
24 include entities such as a casino which we -- we referenced
25 in our briefing to Your Honor. It includes many other

1 types of entities that would not be a bank of first deposit
2 within the scope of this patent the -- within the meaning
3 of this patent.

4 THE COURT: Well, Jack Henry is not a casino, as I
5 understand it. But the question is, is Jack Henry a
6 financial institution? And you say they're not?

7 MR. SON: They are not a financial institution
8 within the meaning of this patent. And that has never been
9 the position of Dr. -- Dr. Shamos in his infringement
10 report.

11 And if I can back up and kind of give an overview
12 about why -- how did this issue even come about because it
13 really was not a dispute on this? We have -- in our
14 infringement contentions, we did not -- PPS Data did not
15 take the position that Jack Henry was a bank of first
16 deposit.

17 In Dr. Shamos's opening expert report, he did not
18 take the opinion or opine that Jack Henry is a bank of
19 first deposit. This issue was actually tied somewhat to
20 our -- to some of the issues that we'll discuss in a minute
21 related to the motion to strike Dr. Michalson's testimony.

22 They did not make a distinction or in discovery
23 between the supposed banking customers and non-banking
24 customers. Throughout discovery, in response to
25 Interrogatory No. 5 where we asked them for

1 non-infringement contentions, they never identified that
2 there was a distinction between their banking and
3 non-banking customers.

4 We have another interrogatory. It was
5 Interrogatory No. -- it was Interrogatory No. 3 where we
6 asked them to identify for us each person who they had a
7 contract with. Other -- other -- in other words, identify
8 who your customers are.

9 They provided us with a spreadsheet eventually.
10 Two weeks before the close of discovery, they produced to
11 us a document -- or they identified for the first time in
12 their supplemental responses to interrogatories and
13 identified a spreadsheet, PPS 2817.

14 And, Your Honor, if I may, I have an additional
15 copy of this if I may give it to your court clerk.

16 THE COURT: You can approach with it.

17 MR. SON: Thank you.

18 THE COURT: Just hand it to the courtroom deputy,
19 please.

20 Go ahead, counsel.

21 MR. SON: This is the list of customers that they
22 identified in response to the -- their interrogatory. When
23 you look through this entire list, which I have done, they
24 are all banks. They're all credit -- banks, credit unions,
25 savings and loans, those type of -- type of entities.

1 These are all banking-type customers. The one customer
2 that -- that they had talked about as being a -- what they
3 call a non-banking customer is a client -- customer of
4 theirs called RealPage. And, unfortunately -- fortunately,
5 these are in alphabetical order, but it's not numerical
6 because of the -- it's not paginated because they're -- it
7 was in a spreadsheet.

8 You'll see RealPage identified here. And even
9 with RealPage, when they identified it, they identified it
10 in connection with a bank.

11 PPS Data was never put on notice that there was
12 ever a distinction with any of their customers between
13 being a bank or a non-banking customer. We relied on that
14 disclosure to us. We proceeded throughout this case with
15 the understanding that these were all banking customers.

16 We submitted an expert opinion by Dr. Shamos who
17 relied on this -- this type of information and opined and
18 showed detail how -- how Jack Henry is infringing and meets
19 every limitation of the asserted claims with the
20 understanding that Jack Henry is not the bank of first
21 deposit. The bank of first deposit are all these
22 customers, the banks.

23 THE COURT: Have you identified this lack of
24 notice argument in your briefing, counsel, because I don't
25 remember --

1 MR. SON: I believe that's subject to our --
2 subject to our notice of -- I'm sorry, our -- part of our
3 motion in limine.

4 THE COURT: I understand --

5 MR. SON: This -- this argument is specifically
6 part of our motion to strike.

7 THE COURT: You know, counsel, if you'll stop
8 talking when I start talking, we'll get along a whole lot
9 better. I'm not here to let you talk. You're here to let
10 me talk.

11 And I don't find it in the briefing on this
12 motion. I don't know where else you think it might be, but
13 if you're going to argue it to me, I shouldn't be hearing
14 it for the first time, as opposed to the written briefing
15 on the motion that I've seen. And I don't see that lack of
16 notice argument in the briefing on this motion.

17 If it's there, please tell me it is and point it
18 out to me. If it's some extraneous other place, that's
19 just as if it's not in the briefing.

20 MR. SON: Under -- understood, Your Honor. You
21 are -- you are correct, it's not expressly stated in the --
22 in the briefs.

23 THE COURT: Okay. What's your -- what's your
24 position on behalf of the Plaintiff with regard to whether
25 or not there's a lack of clarity on whether Jack Henry's

1 EPS system is the sole MICR capture, deposit accounting,
2 cash management, float processing system, or a secondary
3 system that's separate from and bypasses the MICR capture,
4 deposit accounting, cash management, and float processing
5 systems of the bank of first deposit? What's your position
6 on that?

7 MR. SON: Our position on that is that there are
8 factual issues with respect to that. The claim language, I
9 think, makes it pretty -- pretty clear here that what we're
10 talking about with respect to the bank of financial --
11 first deposit, referring to the account -- deposit account
12 designation, you need to bypass those enumerated systems to
13 bypass, you know, the MICR capture, deposit accounting,
14 cash management, float processing of or for the bank of
15 first deposit. That's referred -- and our -- our position
16 is that those are referring to those systems of the bank of
17 first -- first deposit, these entities here.

18 THE COURT: Is it Plaintiff's position that there
19 is or is not a fact question here regarding whether Jack
20 Henry or its banking customers are sponsoring remote sites?

21 MR. SON: That is a factual issue. We don't
22 believe that there's a reasonable dispute there with
23 respect to -- that it is Jack Henry's customers.

24 THE COURT: How is it a fact issue but not a
25 reasonable dispute? I don't follow that at all.

1 MR. SON: Because they're -- they're -- well -- I
2 apologize, Your Honor.

3 It is -- it is in dispute. Our position is that
4 their customers -- the financial institution customers, the
5 banks, sponsor the remote sites.

6 THE COURT: Okay. What else do you want to argue
7 for the benefit of the Court that you haven't had an
8 opportunity to so far? What else?

9 MR. SON: I think that's it, Your Honor.

10 THE COURT: All right. Let me hear a brief
11 rebuttal from Defendant.

12 MR. WIETJES: Your Honor, Jason Wietjes, again,
13 for the Defendant.

14 THE COURT: Go ahead.

15 MR. WIETJES: The issue isn't that they've taken a
16 position that Jack Henry is a bank of first deposit. They
17 haven't. They haven't argued that. They haven't said
18 that. We don't allege otherwise, and we're not disputing
19 that.

20 The issue is that they have said Jack Henry is a
21 financial institution. And by doing that, that makes Jack
22 Henry a bank of first deposit because it otherwise -- Jack
23 Henry otherwise meets the description and the construction
24 of a bank of first deposit.

25 So they can't have it both ways, Your Honor. If

1 they want Jack Henry to be a financial institution, then
2 it's a financial institution across the board.

3 THE COURT: So you're -- you're telling me that
4 there's no dispute between the parties whether Jack Henry
5 is sponsoring the remote site and -- which owns or employs
6 a central site for processing financial transactions? The
7 only issue is whether Jack Henry is or is not a financial
8 institution?

9 MR. WIETJES: For purposes of this summary
10 judgment motion, that is correct, Your Honor.

11 THE COURT: And why is that?

12 MR. WIETJES: Well, they've -- they've stated in
13 their contentions, and I believe -- I believe we've cited
14 in our briefing, where they -- they've admitted that Jack
15 Henry -- I have it here. I think it's -- here's -- here's
16 what they've stated.

17 They -- they've admitted in their response to Jack
18 Henry's statement of undisputed facts that Jack Henry owns
19 a central system, that that central system performs at
20 least the acts of deposit accounting and float processing
21 as required by the claims, and that -- that's really the
22 heart of this, Your Honor, because if we do those things
23 and we are a financial institution, then we are a bank of
24 first deposit. And if we're a bank of first deposit and we
25 do float processing and we do deposit accounting, then

1 those systems are not separate from a bank of first
2 deposit.

3 THE COURT: Well, in addition to the deposit
4 accounting and the processing systems, what about the MICR
5 capture and the cash management and the other elements
6 here?

7 MR. WIETJES: Fair question, Judge. And they
8 dispute whether or not we do MICR capture. So we say, for
9 purposes of this motion, okay, let's assume that we don't.
10 We're not conceding that, but for purposes of this motion
11 it doesn't matter because all four of those systems have to
12 be bypassed. So if Jack Henry does any one of the four,
13 then that one is not bypassed, and, therefore, there is --
14 there cannot be infringement.

15 And so that's why we've limited it to those two
16 because those are the two that they've admitted that we do.

17 THE COURT: What about the sponsoring requirement
18 because it seems like to me you're glossing over that?

19 MR. WIETJES: Well, if I may, Judge, I think
20 perhaps what their -- what their expert says could be
21 helpful there because what he's testified to is that Jack
22 Henry is the financial institution and that Jack Henry
23 sponsors the remote site.

24 And that is Statement of Undisputed Fact No. 19,
25 for reference.

1 THE COURT: In the pre-trial order?

2 MR. WIETJES: In our motion for summary judgment.
3 I'm sorry. It may be -- Judge, it may appear in the
4 pre-trial order also as undisputed issues that we've
5 listed. I don't have that cross-referenced.

6 THE COURT: Well, in my mind, there's a difference
7 between somebody's expert witness saying something in a
8 deposition and it being a stipulated or undisputed fact
9 between the parties. You're telling me that's an
10 undisputed fact between the parties?

11 MR. WIETJES: They -- I believe they've agreed to
12 that, that that was undisputed in their response to our --
13 our statement of undisputed material facts because that's
14 what they're saying, Judge, in order to make out their
15 infringement case. They're saying that's what -- that's
16 what Jack Henry does. That's part of their infringement
17 allegations and contentions in the case.

18 So we're just taking them at their word for that.
19 We're saying, okay, if that's what your position is, if
20 that's what you want to say, if that's what you're going to
21 tell the jury in order to prove infringement, then that's
22 fine.

23 But if that's the case, then -- then Jack Henry is
24 a bank of first deposit. If it's a financial institution,
25 it's a financial institution. It can't be a financial

1 institution for purposes of proving infringement with
2 respect to the non-bank customers and the remote site
3 issue, but not a bank of first -- but not a financial
4 institution when we start looking at what a bank of first
5 deposit is.

6 THE COURT: All right. Anything else by way of
7 quick rebuttal?

8 MR. WIETJES: Nothing at this time, Your Honor.

9 THE COURT: I'm going to give Plaintiff one more
10 chance to address this.

11 Specifically, Plaintiff, I want to know if this is
12 a stipulated and undisputed fact or if it's controverted
13 evidence here.

14 MR. SON: Your Honor, PPS Data's response to their
15 summary judgment motion, counsel just identified that was
16 Undisputed Fact No. 19. Our response is that Undisputed
17 Fact No. 19 states, and I quote, PPS Data disputes JHA's
18 statement of Undisputed Material Fact No. 19.

19 THE COURT: So --

20 MR. SON: So we do -- that is a disputed fact,
21 Your Honor.

22 THE COURT: Okay. And I don't want to belabor
23 this. But I mean, it's either undisputed or it's disputed.
24 I'm hearing one thing from one side and one thing from the
25 other, and it can't be both.

1 Do you have one final statement on this,
2 Defendant? If you do, go to the podium.

3 MR. WIETJES: I think here's the issue, Judge,
4 where -- where you're having a question. It's either
5 disputed or it's undisputed. So they've disputed it but
6 not as to Jack Henry's non-bank customers. That -- that's
7 the --

8 THE COURT: Well, that's not what you told me
9 earlier. You said it was an undisputed fact, and you
10 stopped there, which --

11 MR. WIETJES: That was --

12 THE COURT: -- implies it's across the board for
13 everybody.

14 MR. WIETJES: That was a mistake on my part, Your
15 Honor, and I -- I should have been more clear there.

16 But -- but I'm reading it now, and the statement
17 that they have is: While this statement is accurate for
18 JHA's non-banking customers, it is inaccurate for JHA's
19 banking customers. That's -- that's what they've
20 qualified.

21 So at a minimum, where that gets us, Judge, based
22 on their own admissions, is the non-bank customers, those
23 transactions and those infringement allegations simply do
24 not infringe under what they're -- what they're saying and
25 what they've admitted.

1 THE COURT: All right. Well, I'll say this,
2 counsel. The argument I've heard today is not particularly
3 helpful. But based on the briefing and the appropriate
4 summary judgment evidence, I'm persuaded there are still
5 material questions of fact at issue here such that I should
6 and it is the Court's ruling that the motion is denied.

7 That doesn't mean I won't hear a motion from
8 Defendant under Rule 50(a) at a later time, but I'm not
9 going to grant summary judgment on this motion today.

10 Okay. Let's go on next to Plaintiff's Daubert
11 motion regarding Dr. Michalson. That's Docket No. 79. And
12 let me hear from Plaintiff on that, please.

13 MR. SABA: Good afternoon, Your Honor. Kaveh Saba
14 on behalf of Plaintiff, PPS Data.

15 THE COURT: Please proceed.

16 MR. SABA: Your Honor, the issue in the Daubert
17 motion is that the entirety of Defendants' expert,
18 Dr. Michalson's, non-litigation experience and non -- and
19 knowledge of electronic check processing is that of a
20 consumer with a checking account. That's what he said
21 repeatedly at his deposition, and Jack Henry did not offer
22 an affidavit to try to explain that testimony away.

23 We believe that it's clearly not enough for him to
24 be qualified as an expert to opine on what we've been
25 discussing, which is what a POSA, a person of skill in the

1 art, in the field of electronic processing would have known
2 in the year 2000. For example, how were checks processed,
3 what the customary understanding of terms like MICR capture
4 system -- that is magnetic ink character recognition --
5 float processing system, those types of things in the
6 industry of check processing.

7 THE COURT: Is this the same Dr. Michalson that
8 you thought was qualified enough that you tried to hire him
9 as an expert in this case?

10 MR. SABA: I believe Your Honor is referring to
11 the email of -- of PPS's counsel to him. And what I think
12 we said in our briefing and what I would say here is the
13 fact that PPS Data's counsel saw Dr. Michalson's name on a
14 case associated, again, with Jack Henry and decided to
15 reach out to him is not the standard of Daubert. The
16 standard of Daubert is does that expert himself, in fact,
17 have the qualifications? That's what -- that's the only
18 thing that's relevant as to the Daubert issue.

19 THE COURT: But when you reach out to him
20 ostensibly for the purpose of retaining him or at least
21 exploring retaining him as an expert for your side of the
22 case, that goes a long way in telling me that you think he
23 is qualified. How -- how should I look at it any
24 differently?

25 MR. SABA: Your Honor, that -- that individual may

1 or may not have believed that based on --

2 THE COURT: I mean, are you in the -- are you in
3 the business of hiring non-qualified experts?

4 MR. SABA: No, Your Honor, and -- and you'll note
5 that we didn't actually end up hiring him. If someone
6 reached out to me and said, you know, we believe you have
7 expertise in this area, I'd be flattered, but I'm not an
8 expert in that area. That's the fact of the matter. I
9 wouldn't be qualified to opine on this area. And I think
10 that's -- that's where the email takes us. It's -- it's
11 optics, but it's not the actual issue here.

12 And if you look at the actual issue --

13 THE COURT: Well, Dr. -- Dr. Michalson didn't say
14 I'm not qualified when your side reached out to him. In
15 fact, he accepted employment by Jack Henry in this case for
16 that -- in that same posture, right?

17 MR. SABA: That's -- that's true.

18 THE COURT: So that doesn't indicate that he
19 doesn't believe he's qualified, like your example you'd be
20 flattered, but you'd admit you weren't qualified.

21 MR. SABA: And you're -- you're right about that
22 distinction. I only made that illustration to point out
23 that what we need to look at here is the facts of what his
24 experience is. And what he said at deposition repeatedly
25 was: You know, I had a checking account. As a consumer, I

1 dealt with banks. That was the entirety of his
2 non-litigation experience.

3 Jack Henry in their -- in their briefing, their
4 main position is not actually to dispute the fundamentals.
5 They point to that email, but it's -- it's not to dispute
6 the fundamentals of his lack of experience beyond a
7 layperson.

8 What they say is we're conflating the definition
9 of a POSA with the Daubert issue here. Well, the
10 fundamental problem with that is in this type of situation,
11 the issue of a POSA is -- is necessarily intertwined with
12 the Daubert issue.

13 Dr. Michalson is offering opinions on invalidity
14 exclusively through the eyes of a POSA and non-infringement
15 for matter. And in the Federal Circuit case, Sundance
16 versus DeMonte Fabricating, the Federal Circuit said such
17 an expert, to be qualified, must have at least the training
18 and expertise of a person of skill in the art. In fact,
19 otherwise, it's an abuse of discretion to allow such a
20 person to testify.

21 THE COURT: Isn't this -- isn't this really in the
22 final analysis a circular argument because it's a factual
23 issue as to the level of skill necessary for a person to be
24 a person of ordinary skill in the art?

25 MR. SABA: Correct, Your Honor.

1 THE COURT: Not an issue for the Court to decide
2 here.

3 MR. SABA: Correct, Your Honor. I say -- I would
4 say two things about that.

5 Number one, the Court does, in fact, decide the
6 person of skill in the art because it comes up in so many
7 issues -- for example, claim construction -- on a routine
8 basis. It doesn't -- just because it's a factual issue
9 doesn't mean it must be decided by the jury. It happens in
10 claim construction all the time.

11 In fact, the -- the Federal Circuit has reversed
12 and instituted its own person of ordinary skill definition
13 based on the evidence it's had.

14 And the second issue is -- is if -- if issues that
15 hinge on the person of skill in the art can never be
16 decided at the Daubert stage, if qualification issues,
17 then -- then we might as well moot the Daubert issue
18 altogether, because as in this case, you could have one
19 definition from a party that quite conveniently encompasses
20 their expert and another definition. And you just say,
21 well, that's an issue for the jury. And then what happens
22 is the expert, in fact, testifies at trial.

23 So this is an issue for the Court to decide as
24 gatekeeper. And to do that, the Court does need to decide
25 the -- the -- we would say should decide the person of the

1 skill in the art issue. And we think that's actually quite
2 clear. I mean, we've been talking all afternoon about
3 electronic check processing. It would make no sense to
4 exclude that very field from the definition of a POSA,
5 which is what Jack Henry's definition does.

6 Now, I also want to point out that there's this
7 dispute over whether -- I think Jack Henry has said that,
8 well, he -- he's -- he's an expert in this case, or you
9 reached out to him in this case, as Your Honor pointed out.
10 It can't be that his work on this case makes him an expert.
11 It can't be that -- that work -- litigation work on behalf
12 of a party is where you can gain the knowledge that you
13 need.

14 I think one -- one helpful illustration on that is
15 the Federal Circuit in Mintz versus Dietz & Watson pointed
16 out with obviousness and anticipation. What that requires
17 is, quote, a form of amnesia that forgets the invention and
18 analyzes the prior art and understanding of the problem at
19 the date of the invention.

20 Well, how is Dr. Michalson, whose only specialized
21 knowledge in actual check processing industry experience
22 for the invention come solely from his work for Jack Henry?
23 How could he possibly perform that analysis? He can't
24 because he has nothing independent to draw back on.

25 I will say this does appear to be a -- somewhat of

1 a unique issue. And the question, I think, for the Court
2 is can an expert gain this qualification solely by
3 litigation-hired work on behalf of the party offering
4 the -- the expert? We would say that that -- the answer is
5 no.

6 THE COURT: Is there some agreement or admission
7 here that the only way this gentleman could have the
8 expertise that is in question is from his work on behalf of
9 the Defendant in this case?

10 MR. SABA: Well, I would point to Jack Henry's
11 response on this issue, and -- and their response --

12 THE COURT: You're telling me that the Defendants'
13 position is that the sole and only expertise this gentleman
14 has is acquired through the work he's done for us in this
15 case?

16 MR. SABA: They also point to another case in
17 which he was hired for Jack Henry. And that was the Data
18 Treasury I believe PTAB proceedings.

19 The first thing I would say about that is -- is
20 that was in 2012, which is about a -- over a decade after
21 the date of the patents here. Although more importantly,
22 Dr. Michalson didn't put that in his CV and -- and didn't
23 feel it important enough to do so.

24 Now, at his deposition, when asked about his check
25 processing experience, he didn't actually bring that case

1 up. That's the sworn testimony on the issue.

2 It's also unclear, what, if any, knowledge about
3 check processing in 2000 that Jack Henry itself believes it
4 gave Dr. Michalson based on that work. And, of course,
5 it's -- it's Jack Henry's burden as the proponent of the
6 evidence to show that he did gain such expertise.

7 And the last thing I want to say about that is
8 that it -- just -- just in the same way that it can't be
9 his work on this case that renders him, you know, an expert
10 and knowledgeable about check processing, it doesn't make
11 much sense for him to have gained that knowledge while
12 working for Jack Henry as a hired expert in a previous case
13 either.

14 So they do point to that, as well. I think that
15 is essentially the entirety of the experience they point
16 to.

17 I will say for -- in full disclosure, they point
18 to -- on -- on -- they make one statement about maintaining
19 servers that host a number of websites, several of which
20 involve e-commerce and is familiar with configuring a
21 server to support e-commerce activities.

22 This isn't something Dr. Michalson brought up at
23 his deposition. Frankly, they didn't mention it in their
24 sur-reply. I -- I don't think that that is actually
25 something that gave him electronic check processing

1 expertise.

2 THE COURT: As I understand it, there's really no
3 dispute that this individual is an expert in databases and
4 computer systems.

5 The issue, does -- does he have sufficient
6 familiarity with check processing; isn't that right?

7 MR. SABA: I believe that's correct. And to be
8 clear, Dr. Michalson may well have expertise in computer
9 systems. And we don't dispute that for purposes of this
10 motion.

11 But the Federal Circuit has -- has affirmed
12 numerous times, situations where the patents at issue
13 require specific expertise. So someone with computer
14 knowledge, not just generally, but someone who actually has
15 some level expertise in the specific area of electronic
16 processing, this is one of those cases.

17 And it's for the reason that we've been talking
18 about all afternoon. We've been talking about MICR capture
19 systems. We've been talking about float processing
20 systems. These aren't things that a computer programmer
21 deals with.

22 In order to understand the plain meaning of those
23 terms, in order to understand what these machines that have
24 been used for decades are, that there's got to be some
25 level of experience. Otherwise, it just does not meet the

1 Daubert standard in our view.

2 THE COURT: All right. Let me hear a response
3 from the Defendant.

4 MR. WIETJES: Your Honor, Jason Wietjes for the
5 Defendant.

6 THE COURT: I'll hear your argument if you'll talk
7 slower than you did last time.

8 MR. WIETJES: Deal.

9 THE COURT: Go ahead.

10 MR. WIETJES: So we -- we see this, Judge,
11 similarly to I think how the Court is viewing it, at least
12 based on the -- the questions of the Court, that what
13 they're really doing here is conflating two things.

14 One, the definition of a POSA, which has not been
15 ruled upon or decided by the Court or otherwise with what
16 level of skill in the art one would have to have to be a
17 POSA.

18 And our position is no matter how the person of
19 ordinary skill in the art is defined, the question of
20 whether Dr. Michalson or anyone else meets that definition
21 is a fact question. The -- the case -- that's what the
22 case law tells us.

23 And so when -- when they're saying that
24 Dr. Michalson is not a POSA in their -- under their
25 definition, which we don't agree with, and, therefore, he's

1 not qualified in this case, we think they're really
2 short-circuiting this analysis in terms of whether or not
3 he's qualified.

4 He's clearly qualified to offer the opinions that
5 he's offered. All of his opinions relate to computer
6 processing and the things that we've been discussing.

7 He doesn't offer a single opinion or any opinions
8 related to a new or a novel check processing system in the
9 banking sense or in the financial sense.

10 What they seem to be arguing is that to be an
11 expert in this case, you have to have some heightened
12 banking experience or some heightened financial experience
13 that would enable you to offer these opinions.

14 Those are not the kinds of opinions that
15 Dr. Michalson is -- is offering here.

16 Further, Your Honor, I think if you -- if you look
17 at the -- the totality of everything that -- that's been
18 briefed on this, we do think Dr. -- Dr. Michalson has
19 familiarity with check processing. We've submitted at
20 least several examples of that.

21 And, further, PPS Data has not told us what
22 familiarity with check processing even is. So there's not
23 a standard in place for the Court to say, okay, on one end
24 of the spectrum, someone has such familiarity, and on the
25 other end of the spectrum, they do not. They're just

1 making the conclusion that Dr. Michalson has no such
2 familiarity, again, under their own definition of what they
3 think the person of ordinary skill in the art is.

4 If you look at the -- the individuals that have
5 been involved in the development of these systems, that's
6 also enlightening. They're -- the inventors of the
7 asserted patents, the testimony we've cited to, show that
8 their expertise was not in banking or in financial services
9 in the sense that -- that they're talking about. They were
10 computer programmers. They were involved with writing code
11 and those types of things.

12 Similarly, Mr. Brad Quinn. Mr. Quinn is employed
13 by Jack Henry. Mr. Quinn is the architect of the accused
14 systems in this case. He developed them. He -- he wrote
15 the code for those systems. Mr. Quinn has testified that
16 he knows very little about banking.

17 And so it begs the question, Your Honor, if -- if
18 the systems that they say are infringed in this case, if
19 the developer and the architect of those systems would not
20 even be a person of ordinary skill in the art, then you
21 start to wonder where the similarities actually lie and how
22 close these -- these systems are to the accused patents if
23 the -- if the person that developed them and -- and wrote
24 the code for them wouldn't even be a person of ordinary
25 skill in the art.

1 So there are a lot of questions at the factual
2 level regarding Dr. Michalson's familiarity with electronic
3 check processing that need to be answered in this context.

4 THE COURT: All right. Thank you, counsel.

5 Mr. Saba, I'll give you a brief rebuttal if you
6 want one.

7 MR. SABA: Your Honor, I'll make three quick
8 points.

9 The first is Jack Henry has said that
10 Dr. Michalson doesn't offer any opinions specific to the
11 banking sense. That's -- I would say the opposite is true.
12 The majority of his opinions are about banking, MICR
13 capture systems, what was known in the art. For
14 non-infringement, same thing, whether a MICR capture system
15 exists, whether a float processing system exists. These
16 are all about banking.

17 The second is what level of familiarity? Some,
18 any, would -- would be sufficient above any of the rest of
19 us with a checking account.

20 The Court need not decide that right now. In
21 fact, the Court could just decide that these patents are
22 directed to the relevant field of electronic check
23 processing. And under that standard, I think what you just
24 heard is Dr. Michalson doesn't have that experience.

25 And the last one is on the inventors, and we noted

1 this -- saw this in their sur-reply, that the inventors are
2 somehow computer programmers. That's entirely false.

3 The lead inventor, I don't believe, is a formal --
4 formally trained computer programmer at all. He's worked
5 in the -- the banking industry for his entire career.

6 The same is true as -- of the second inventor.
7 He's been in banking industry, worked for banks, worked on
8 coin sorters, and then MICR capture reader sorters for his
9 entire career. That is what the Federal Circuit has said
10 is significant to the POSA issue.

11 And that confirms that this is -- that POSA
12 requires electronic check processing which Dr. Michalson
13 simply doesn't have.

14 Thank you.

15 THE COURT: All right. Thank you, counsel.

16 One of the primary functions of the jury in any
17 trial is to consider, judge, and determine the weight and
18 credibility of each and every witness. The Daubert
19 process, in the Court's view, is to ensure that someone
20 wholly unqualified does not attempt to give an opinion as
21 an expert.

22 It is not a process by which the Court should
23 supplant the jury's function of determining the credibility
24 of the witnesses and determining the weight to give to the
25 evidence that they've offered after they have endured the

1 process of careful and targeted cross-examination.

2 I don't think this situation rises to the level of
3 being excluded under Daubert. I think there's sufficient
4 evidence to find, and the Court finds that Dr. Michalson
5 meets the threshold of familiarity, quote, unquote, with
6 check processing. And I don't find that there's any
7 dispute that he is an expert in the -- in databases and
8 computer systems.

9 And, finally, I think it's pretty clear that the
10 Plaintiff's attempts to hire him themselves as an expert
11 for the same purpose in this case undercuts their argument
12 that somehow now he's so wholly unqualified that he should
13 be precluded from offering any testimony at trial at all.

14 I'm going to deny the Plaintiff's motion.

15 Also, counsel, before we move on to the next
16 dispositive motion, during the last recess, I did check,
17 and Plaintiff's counsel is right, Mr. Hyland did petition
18 the Court to withdraw. It was done in conjunction with
19 other matters, and it doesn't show up on the docket sheet
20 as a stand-alone motion, therefore, that's why I missed it,
21 but I'm satisfied that he's properly out of the case.

22 Also, the Court requires that the parties submit
23 for the Court's consideration a joint proposed jury charge
24 and verdict form. That means a single document where you
25 agree on certain portions of it, and areas where you don't

1 agree, you set out the Plaintiff's position and the
2 Defendants' position side-by-side so that it's easy for me
3 to see where you disagree. You haven't done that.

4 Plaintiff submitted their own stand-alone charge
5 and verdict form. Defendant submitted their own
6 stand-alone charge and verdict form.

7 You all are going to have to comply with the local
8 rules of this Court and the standing orders of this Court
9 or I'm going to end up doing some things that I shouldn't
10 have to do.

11 You're going to submit, and I am ordering that you
12 submit, a jointly proposed final jury instruction and
13 verdict form as required by the Court's practice not later
14 than 2:00 p.m. tomorrow. There's no reason I have to go
15 back and tell you to do that. There's no reason I have to
16 go back and tell you to file public redacted versions of
17 the sealed documents. That is sloppy lawyering on both
18 sides, and it needs to stop.

19 Consider yourselves warned. If I see this
20 continued kind of practice going forward, I'll do more than
21 give you a warning and an opportunity to cure it.

22 All right. Next is Plaintiff's motion to strike
23 portions of Dr. Michalson's expert report, Document 78.

24 And I'll hear from the moving Plaintiff on this.

25 MR. SON: Anthony Son for PPS Data.

1 THE COURT: Go ahead, counsel.

2 MR. SON: Your Honor, the motion to strike
3 Dr. Michalson's opinions, there are four parts to it.

4 The first two parts that I'll address deals with
5 non-infringement issues. The first part had to do with
6 source code. Jack Henry did not produce source code to
7 PPS Data during the course of this case. They did
8 identify, pursuant to Rule 3-4(a), that there are source
9 codes that are relevant to the operation of their products,
10 but they didn't produce any of the copies of any portion of
11 the source code that their expert had requested and that
12 they have provided to their -- to their expert during the
13 fact discovery phase of this case.

14 They -- they argue that, well, we told you that
15 they were available. Why don't you go take a look -- look
16 at them?

17 PPS Data did not need the source code and rely on
18 the source code to be able to establish infringement in
19 this case based on their witness testimony, based on the
20 documentation that they had -- already produced.

21 What is relevant and important here for
22 determination of this motion is that we asked them in an
23 interrogatory to identify your non-infringement contentions
24 and identify what documents or things that you have that
25 will support your non-infringement contentions.

1 Notably missing from their response are any
2 mention of source code. They didn't highlight the fact
3 that they were going to rely on source code as part of
4 their non-infringement defense, that they didn't -- it's
5 not a piece of document that they otherwise had already
6 provided.

7 So we didn't go -- go in with respect to this
8 motion to complain about other documents that they -- that
9 they produced copies of but they didn't specifically
10 identify in response to the interrogatory.

11 Our complaint here is that -- was something that
12 they said that, you know, we would have to come and
13 inspect. They did not identify that as something in
14 response to the interrogatory where we specifically asked
15 them what documents in evidence do you have to support your
16 non-infringement contentions?

17 The first time we've learned about the reliance on
18 the source code was the connection with their rebuttal
19 expert report, and they do so to try to get around some of
20 what their -- their admissions that were -- that were
21 obtained during deposition and in -- in the documents.

22 Moving on to their non-infringement theories. In
23 the same interrogatory, they identify several pieces --
24 several categories of how they do not infringe. They do
25 not identify two non-infringement theories that

1 Dr. Michalson then opines on.

2 The first one we identified in our motion for
3 sum -- or, I'm sorry, in our motion had to do with that
4 there's no transmission of any data to a bank of first
5 deposit for these non-banking customers. This goes back to
6 that motion for summary judgment that Your Honor just heard
7 testimony about.

8 They did not make a distinction in their response
9 to the Interrogatory No. -- in response to Interrogatory
10 No. 5 between banking and non-banking customers. They
11 didn't -- that just never was present.

12 We've been prejudiced by that clearly, as you've
13 see now from the -- from the testimony -- from the argument
14 related to the motion for summary judgment of infringement.

15 The second non-infringement theory that was not
16 disclosed but was discussed by Dr. Michalson is what I call
17 the push versus pull transmission of bank of -- to the bank
18 of first deposit.

19 What that deals with is that -- is Jack Henry's
20 non-infringement defense that they do not transmit to the
21 bank of first deposit but rather the bank of first deposit
22 goes to Jack Henry and gets the data that way.

23 Our expert has already opined on -- on this that
24 it doesn't matter one way or the other. It is the same --
25 it is doing the same thing. They're both push -- it is a

1 transmission to the bank of first -- first deposit.

2 But that is still, nonetheless, a non-infringement
3 theory that they are -- that Dr. Michalson is advancing in
4 his expert report that was not disclosed to us in their
5 interrogatory responses.

6 Moving on to the third item which is anticipation.
7 There are two parts of this anticipation in our motion.

8 One has to do with the '430 patent, and their
9 disclosure of Archarya, a prior art reference, and whether
10 they can rely on Archarya as being anticipatory for any of
11 the claims of the '430 patent.

12 Dr. Michalson includes Archarya as an anticipating
13 reference. There is no dispute here and they acknowledge
14 in their response that their -- Jack Henry's invalidity
15 contentions does not identify Archarya as an anticipatory
16 reference for any of the asserted claims.

17 What they argue is that they complied with the
18 3-3(a) and 3-(c) -- (c) -- 3-3(c) requirements for
19 identifying the prior art and for providing a chart of the
20 prior art.

21 But what they did not comply with was the 3-3(b)
22 requirements and identify the specific claims that are
23 anticipated by the Archarya reference, at least with
24 respect to the '430 patent.

25 Similarly, with respect to the '106 patent, Jack

1 Henry's invalidity contentions identified only Lowrey and
2 Gregorie as two prior art references that anticipate any of
3 the asserted claims of the '106 patent.

4 They did chart and identify numerous other prior
5 art references, but in compliance with 3 -- the
6 requirements of 3-3(b), they only relied on Lowrey and
7 Gregorie.

8 But in Dr. Michalson's opening report on
9 invalidity, he also opines that they are invalid for five
10 other references but definitely not and specifically not
11 Lowrey or Gregorie. He never once discusses Lowrey or
12 Gregorie in -- in his invalidity opinions.

13 Now, in response to our motion, Jack Henry says,
14 but we -- Dr. Michalson incorporated by reference our
15 invalidity contentions, and, therefore, he should be
16 permitted to -- permitted to testify with respect to Lowrey
17 and Gregorie, even though he never provided any opinions
18 with respect to Lowrey and Gregorie and never said that
19 Lowrey and Gregorie are anticipatory.

20 And then, finally, with respect to obviousness, in
21 the invalidity contentions that Jack Henry served, they
22 identified obviousness with the boilerplate statement with
23 respect to each and every patent that simply stated that
24 the obvious -- that all the prior art references that they
25 identify either in the charts or within the contentions

1 that are not charted may be combined with any other
2 reference.

3 They didn't provide a specific motivation to
4 combine. They didn't provide -- they did not discuss which
5 elements of which of these references would be used. They
6 didn't identify which primary reference and then which
7 secondary reference would be used for those elements. That
8 is not in compliance with this Court's jurisprudence on
9 3-3(b) .

10 You cannot in this Court as a Defendant simply
11 identify a laundry list of prior art references and state
12 that you can combine any of them. You, patentee, go figure
13 it out.

14 So we believe that based on their disclosures in
15 their invalidity contentions which failed to identify
16 their -- the specific anticipation defenses and did not
17 identify any obviousness combination, along with their --
18 their responses to our interrogatory related to invalidity
19 contentions that Dr. Michalson should be stricken from
20 testifying with respect to those contentions that he did
21 not -- that were not disclosed.

22 THE COURT: All right. Counsel, thank you for
23 your argument.

24 Let me hear a response from Defendant. Let's take
25 them in the same four order.

1 MR. ALEXANDER: Randy Alexander on behalf of
2 Defendant, Your Honor.

3 THE COURT: Go ahead.

4 MR. ALEXANDER: Your Honor, I think the
5 overarching thing that I would like to present to the Court
6 here is that a lot -- these issues brought to you are
7 essentially an end run around discovery issues that --
8 that PPS Data is now taking issue with well beyond the time
9 with which they should have brought this -- these issues to
10 Jack Henry had they had these issues with -- with these
11 issues.

12 But I will take them in turn. With respect to the
13 source code, Your Honor, the parties agreed to the entry of
14 a protective order in this case, and that protective order
15 outlines the procedures with which source code in this case
16 would be inspected by the party, and once inspected, if --
17 if production was requested, there are procedures there.
18 The parties agreed to this -- to this protective order.

19 Subsequently, Jack Henry identified that its
20 source code and its -- and its invalidity contentions under
21 3-4(a), identified its source code as having this
22 operational disclosure for the accused products.

23 And then in response to Interrogatory 5, which is
24 the contention interrogatory that PPS Data complains that
25 we do not -- we did not include our source code as a basis

1 for our non-infringement, what I would -- what I would say
2 there, Your Honor, is, firstly, we -- we did provide
3 objections and reservations there, those objections being
4 that it was premature -- the -- the contention
5 interrogatory was premature at the time, directed to
6 expert -- directed to subject matter that was more subject
7 to expert testimony, and -- and also that we reserved the
8 right to submit those expert reports at a specific time in
9 this case under the Court's scheduling order.

10 Beyond that, Your Honor, we also stated that the
11 accused products do not infringe because they do not meet
12 each and every element of the claimed invention.
13 Certainly, this is a software case here, so source code, we
14 would expect, would be at issue.

15 For us, we had our -- we wanted to make sure that
16 our expert was apprised of those issues, and once he
17 requested them, of course, he -- he took the -- took the
18 time to review them.

19 We let them know that we do not believe that we
20 infringed because we didn't meet all these elements.

21 And beyond that, we then incorporated by reference
22 our invalidity contention into the Interrogatory 5 response
23 wherein in the invalidity contentions, we had said the
24 source code provides further operational disclosure as to
25 these accused instrumentalities.

1 Now, Your Honor, I'd also point out that PPS Data
2 said that -- essentially they've admitted that they are not
3 prejudiced by this issue. They have claimed that they're
4 okay with their infringement case here, that they don't
5 need the software, that they can go beyond that.

6 So to the extent that -- that this was an issue,
7 they're not prejudiced by it. But, again, when we made
8 these disclosures, they never once requested to inspect
9 them. They know this is a software case. There's code
10 that's at issue underlying these -- these claims.

11 Moving on to the --

12 THE COURT: Let me hear about the non-infringement
13 contentions.

14 MR. ALEXANDER: I'm sorry, Your Honor?

15 THE COURT: Let me hear about the non-infringement
16 contentions, the second issue.

17 MR. ALEXANDER: The second issue with regard to
18 the transmission elements?

19 THE COURT: Yes.

20 MR. ALEXANDER: Yes, Your Honor.

21 So similarly, Your Honor, there -- Interrogatory
22 5, which, again, was directed to their non-infringement --
23 non-infringement -- or our non-infringement positions,
24 we -- again, those -- as I explained earlier, we provided
25 those objections and reservations as to the expert

1 testimony to which they made no challenges at the time.
2 And beyond that, we disclosed generally and specifically
3 Jack Henry's positions which we believe provide the
4 foundation for Dr. Michalson's testimony on these issues
5 for the transmission patent.

6 Generally, again, we point to the fact that the
7 accused instrumentalities do not meet the all elements
8 rule. They do not meet each and every element of the -- of
9 the claims asserted against Jack Henry.

10 Beyond that, Jack Henry specifically stated that
11 the -- that the accused instrumentalities do not
12 transmit the -- transmit as required by the claims, and
13 that they do not transmit to the bank of deposit and
14 the first -- and -- and the federal -- the maker bank and
15 the Federal Reserve.

16 So, again, we believe that those do provide the
17 foundation for Jack Henry's non-infringement positions for
18 Interrogatory 5 with respect to this issue.

19 And, again, there was no challenge to those. So
20 to the extent that they were not satisfied by those answers
21 or that they sought more detail as to how they wanted us to
22 explain them, they -- they never reached out to us and
23 asked us to supplement or that they were deficient in any
24 way.

25 And even if the discovery order did require the

1 level of detail to which they're saying is required at this
2 point, I think it goes to show you how the -- how they kind
3 of laid behind the log here and then just waited until
4 later in the case to say, oh, well, you didn't explain it
5 in detail now, so we're seeking to exclude it.

6 We don't believe that that's appropriate to -- to
7 do that in this case, Your Honor.

8 Moving on to the next issue with regard to the
9 anticipation prior art that Dr. Michalson includes in his
10 report. I'll take the -- the '430 patent first, and
11 specifically that's the one where -- relating to the
12 Archarya reference.

13 There, Your Honor, we -- we believe that -- that
14 we have put PPS Data on notice here. With -- Archarya is a
15 prior art reference that's -- that's part of this case.
16 There were five -- at the time, there were five patents
17 asserted.

18 Across those five patents, Archarya was cited as
19 anticipatory reference in the claim charts for those
20 contentions. It's -- it's not new art. It was cited there
21 and included in the claim charts with respect to each
22 element and how it -- Archarya did not anticipate as to
23 those patents.

24 Now, Dr. Michalson, when reviewing our invalidity
25 contentions, he's -- though our initial thought that

1 possibly Archarya might not have meet -- met all these
2 elements, Dr. Michalson said: Well, wait a minute, I think
3 that Archarya would go here for the '430 patent. And he
4 did include it in his expert report.

5 I'll -- I'll admit, Your Honor, it is not listed
6 in the invalidity contentions specifically in the body to
7 say Archarya anticipates Claim X, Y, Z. But we do believe
8 that there is -- that they were provided notice of this
9 reference specifically with reference to the additional
10 patents in the case here, not the '430, that the patent
11 itself wasn't new, and that there's no -- there's no
12 prejudice to -- to their expert having known what the prior
13 art was that it was being assert -- that it was being
14 addressed in the context of patents that were very similar.

15 And similar arguments go for the '106 here and --
16 go for the '106 patent and the references, the Phillips,
17 the Jones, Slater, Geer '258, and the Archarya. Again,
18 those references were cited not for the '106 specifically
19 in the body.

20 I will tell Your Honor it was not specifically in
21 the body of the invalidity contentions, but they were
22 included in the -- in the exhibit specific to that patent
23 and listed for nearly all the elements of that patent, even
24 though they weren't listed in the body of the claim.

25 And, again, those prior art references were

1 asserted as anticipatory references against the other four
2 patents that were asserted at the time.

3 To the extent that -- that Dr. Shamos could not --
4 once Dr. Michalson disclosed his opinions as to those
5 anticipatory references, to the extent that Dr. Michalson
6 had a problem to review and analyze that, it is a little
7 bit incredulous because they're not -- they weren't -- they
8 weren't new. The claims are similar. The patents are
9 similar. It's something that he could have done.

10 And not only that, the issue wasn't raised at the
11 time Dr. Michalson had served his report. Only now, you
12 know, at the very -- at the very end when the dispositive
13 motions are being filed is this -- is this issue brought to
14 us. So it's a little bit -- we feel a little bit
15 disingenuous to think that they're prejudiced here.

16 With respect to the Gregorie and the Lowrey
17 references that Dr. Michalson does use against the '106
18 patent, Dr. Michalson did incorporate by reference his --
19 the invalidity contentions into -- into his expert report.
20 So we do believe that he does have basis to expound upon
21 those to the extent that these others are excluded.

22 PPS Data would have you believe -- would have you
23 say that you cannot incorporate an expert report by
24 reference in your invalidity contentions, but likewise,
25 you're not able to incorporate by reference in your expert

1 report your invalidity contentions.

2 With respect to the prior art combinations, again,
3 those -- those pieces of prior art were all identified and
4 charted in the exhibits to the contentions.

5 The -- the main body of the contentions notified
6 that these -- that the references included in the
7 contentions could be combined with the additional
8 references charted therein, and -- and that a person of
9 skill in the art would have been motivated -- would have
10 known that -- that you could have made those com --
11 combinations.

12 PPS Data states that, well, there's this mountain
13 of all these combinations that -- that are out there in
14 this case at this point. Well, it's -- it's a little bit
15 of a product of their own making.

16 The patents themselves contain 10 pages of prior
17 art references, 300 odd non-patent publications that are
18 listed in there that -- that Jack Henry went through and --
19 and determined whether or not these are references that we
20 needed to include.

21 So we took those, we narrowed it down to I want to
22 say something around 32 or so references, and included
23 those in our invalidity contentions.

24 And because of the voluminous nature of them,
25 rather than creating a -- an exhibit that Your Honor might

1 be more familiar with with regard to charting a prior art
2 reference with respect to a patent, what we did is we
3 took -- for Exhibit A, for example, and said for the '430
4 patent, we're going to run down each and every limitation,
5 and for each and every limitation, we're going to include
6 in that limitation where in the -- in each -- in each
7 respective prior art where applicable that limitation is.

8 So you -- you could look at the chart and say, all
9 right, for Claim 1, Element 1, you've got Patent X, Y, and
10 Z.

11 For -- for the second element, you might have X,
12 Y, and then the third element, X, Y, Z. Well, you would
13 know it'd be a combination and which of those would be the
14 prior -- or the primary and secondary references because
15 they were listed first almost every time for the -- for the
16 charts.

17 There -- we don't believe that there was any
18 guesswork there. It's more of Jack Henry not going through
19 the ministerial act of saying, here's exactly how you would
20 read these charts, when we felt that those charts were --
21 were enough to notify of what those combinations were based
22 on how we presented it in our invalidity contentions.

23 And Michalson -- Dr. Michalson in his expert
24 report, he doesn't -- he doesn't include anything in his
25 expert report that's not charted that -- that wouldn't be a

1 combination that's not listed in those exhibits, the
2 invalidity contentions. There's no prejudice there.

3 The -- we -- Dr. Michalson narrowed it down to a
4 handful of -- I want to say five -- prior art references
5 where he's using those com -- those references in
6 combination -- in stand-alone or combinations for
7 invalidity purposes.

8 And, again, knowing that we stated in our
9 invalidity contentions that these -- the references
10 included in those charts would be -- they're combinations,
11 you know, subject to our -- our position there, not once
12 did PPS Data say, hang on, wait a second, this is too much,
13 we want you to stop. We think -- we think that you should
14 go through the -- the ministerial act of letting us know
15 what these are.

16 It's only, again, until now at this very last
17 moment in this case where they want to say, hey, no, you
18 can't do that. We may not have caught it earlier, but
19 we're catching it now. And you can't -- you can't --
20 we're -- we're going -- we're going to say that we're
21 prejudiced by it.

22 But, again, Dr. -- there is no prejudice because
23 Michalson -- Dr. Michalson narrowed it down to -- to a
24 relatively few number of those prior art references.

25 Your Honor, I think at this time, that's all I

1 have.

2 THE COURT: All right. Let me see if Plaintiff
3 has a brief rebuttal.

4 Anything further to add, Plaintiff?

5 Let me start out by asking a question.

6 MR. SON: Yes, sir.

7 THE COURT: Defense counsel has basically argued
8 that you've laid behind the log, and while they haven't
9 complied with the Court's patent local rules on
10 disclosures, that you never asked them to fix it. And you
11 knew you should have asked them to fix it, and you waited
12 until late in the case when it was well beyond time and of
13 no real curative effort. And then for the first time, you
14 brought up these issues that are in the motion before me.

15 I'd like you to respond to that. Have you laid
16 behind the log? Did you have -- noticed things needed to
17 be fixed when they weren't disclosed in the first place?
18 Is this a point in the litigation that's so late in the
19 process, it really makes no difference at this point? I'd
20 like you to respond to the argument that the Defendant gave
21 me in that regard.

22 MR. SON: And, Your Honor, for point of
23 clarification, are you referring to -- with respect to the
24 non-infringement contentions, or are you referring to with
25 respect to the in -- invalidity?

1 THE COURT: With regard to basically everything
2 except the source code issue, I heard Defendants argue you
3 never told us that you needed us to supplement, you could
4 have, you should have, you didn't, you laid behind the log
5 and lulled us into a sense of security, and now late in the
6 case, you've pulled this up for the first time, and it's
7 not fair.

8 That's basically what I heard Defendants argue as
9 to the non-infringement, the anticipation, and the
10 obviousness issues. Not so much as to the source code but
11 as to those other three.

12 MR. SON: Well, I -- I think the non-infringement
13 issue is the -- exactly the same issue with respect to the
14 source code issue because that had to deal with their
15 response to the interrogatory, and the -- PPS Data
16 certainly had -- should have been allowed to rely on
17 what they told us would be their non-infringement
18 contentions there.

19 Certainly, the parties are always under an
20 obligation under Rule 26(e) to supplement -- seasonably
21 supplement, and Your Honor's discovery order also requires
22 that the parties seasonably supplement to -- to ensure that
23 that would be complete and full.

24 So I -- I think with respect to that issue, it is
25 the same as the source code issue. It's not that -- this

1 is not a situation where we were lying in wait and being --
2 and feigning surprise at -- at that.

3 The first time we learned about this -- those two
4 non-infringement contentions was when Dr. Michalson
5 provided his expert report -- rebuttal expert report on
6 non-infringement. It's not something they had -- they had
7 previously disclosed beforehand, nor would we have known or
8 know what they were -- why they believing that they were
9 non-infringing, other than what they had told us in their
10 interrogatory responses.

11 So that would be my response with respect to that.

12 With respect to the --

13 THE COURT: I guess -- I guess -- I guess that
14 means, counsel, we can't be expected to tell them to update
15 something that we don't know about in the first place. Is
16 that, in essence, what you're telling me?

17 MR. SON: Correct, Your Honor.

18 THE COURT: All right. Let me hear the rest of
19 your argument.

20 MR. SON: Correct, Your Honor. And then that's --
21 that's the same thing with respect to their anticipation --
22 in the invalidity contentions. We -- we're not the ones
23 who had to figure out which -- which of these references
24 they're going to rely upon as being anticipate --
25 anticipatory. And we certainly did not expect that with

1 respect to the '106 reference, that we would go beyond --
2 that they would -- they would take an entirely different
3 anticipation argument than what they -- what they had
4 disclosed before to us.

5 THE COURT: What else?

6 MR. SON: I think that's it, Your Honor.

7 THE COURT: All right. Thank you.

8 With regard to this motion, and particularly
9 beginning with the first issue dealing with the source
10 code, it's clear to the Court that Jack Henry made the
11 source code available for copying and respect -- and
12 inspection as is required by Patent Rule 3-4(a). And it's
13 clear to the Court that Jack Henry disclosed the source
14 code was relevant evidence.

15 There's no requirement in the local rules or in
16 the rules of evidence that a party must affirmatively
17 disclose the specific portions of the source code that it
18 may use to support its contentions.

19 Consequently, I'm going to deny the Plaintiff's
20 motion as to the source code issue.

21 And I don't find that the Defendants failed to
22 comply with Patent Rule 3-4(a). In fact, I find that they
23 did comply with it.

24 With regard to the second issue, the
25 non-infringement contentions, I find that the Defendant did

1 not comply with the local patent rules and did not disclose
2 those particular non-infringement positions.

3 Having found that they did not comply with the
4 local rules, there's a four-factor test the Court should
5 consider.

6 One, their explanation for not complying; two,
7 what level of prejudice the other party would be subjected
8 to by their failure to comply; and the importance of these
9 matters to the non-complying party's case; and the fourth
10 factor being whether a continuance is adequate to cure the
11 harm.

12 Applying that four-factor test, I find that the
13 two specific non-infringement contentions at issue being,
14 one, the accused products allegedly do not transmit any
15 data to a bank of first deposit or non-banking customers;
16 and, two, the accused products allegedly do not transmit
17 any data for customers that downloaded files. Applying the
18 four-factor test, I do not find that these -- that the
19 Defendants' failure to comply with the local rules should
20 be excused.

21 And I'm going to grant the Plaintiff's motion as
22 to those two non-infringement contentions. And those are
23 struck as not complying with the local patent rules.

24 With regard to the third issue, the anticipator --
25 anticipate -- anticipation references at issue, it's clear

1 to me that the Defendants did not comply with patent Rule
2 3-3. The disclosure is clearly lacking. There is
3 prejudice to the Plaintiff. You can't very well argue the
4 Plaintiff failed to ask us to amend our contentions when
5 the Plaintiff didn't know about these contentions because
6 they were never disclosed in the 3-3 disclosure.

7 With regard to the importance of these to the
8 Defendants' case, there are other anticipation theories
9 other than these, both as to the '430 patent and the '106
10 patent. Therefore, the importance is not so elevated as to
11 excuse their failure to comply.

12 I'm going to grant the Plaintiff's motion as to
13 the anticipation references. And, consequently, those
14 references being Archarya as to the '430 patent is struck,
15 and Phillips, Jones, Geer '258, Slater, and Archarya as to
16 the '106 patent is struck.

17 Lastly, turning to the fourth issue, the
18 obviousness combinations, this, to me, is a clear and
19 egregious failure to comply with the local patent rules.
20 You cannot list multiple invalidating references and then
21 say in a simple sentence: And we may combine these in any
22 way we want to to form some other invalidating combination
23 but you figure it out, we're not going to tell you.

24 The entire purpose of the local rule is to require
25 specific disclosure of combinations and not put the burden

1 on the Plaintiff to figure it out. This is a clear
2 violation of the local patent rules, and I'm going to grant
3 the Plaintiff's motion in that regard. And those
4 obviousness -- all these obviousness combinations that
5 could be achieved by Plaintiff figuring out for themselves
6 what they might be are going to be struck. This
7 effectively is going to strike the obviousness -- excuse
8 me, the -- yeah, the obviousness defenses that the
9 Defendant would assert.

10 It's just a very clear and egregious violation of
11 the local patent rules to stick in this boilerplate
12 language of anything that we can combine here, we're going
13 to assert and we're not going to tell you what it is, and
14 you have to figure it out. And to say that Plaintiff
15 should have asked you to update and supplement that is --
16 quite honestly, that's incredulous in the Court's view.

17 So on the source code issue, Plaintiff's motion is
18 denied.

19 On the non-infringement contentions as specified,
20 it's granted.

21 On the anticipation references as specified, it's
22 granted.

23 And on the obviousness combinations, based on the
24 wholly inadequate boilerplate catch-all language and a
25 failure to specify any specific combinations, the motion is

1 granted.

2 Now, I understand, counsel, that the motion to
3 strike portions of Dr. Ugone's report, Document 80 --
4 Docket No. 85 of this case, is live before the Court but
5 the parties have jointly requested that the Court determine
6 this based on a review of the papers and will avoid oral
7 argument on that. Is that still your positions?

8 MR. MAZINGO: That's still our position, Your
9 Honor, I believe.

10 THE COURT: Is that still Plaintiff's position?

11 MR. SON: Yes, it is, Your Honor, and I would go
12 one step further.

13 THE COURT: I don't need you to go a step further.
14 I'll consider it on the papers, and I'll give you a ruling.

15 MR. MAZINGO: Thank you, Your Honor.

16 THE COURT: All right. There's one other matter I
17 want to mention to the parties. It's my understanding that
18 Document 80 or Docket No. 80 is effectively moot now
19 because it addresses a matter that's been withdrawn in the
20 case.

21 I want to confirm with the parties that both sides
22 agree that that's effectively moot. Is that the
23 understanding of both sides?

24 Plaintiff, is that your understanding?

25 Defendant, is that your understanding?

1 MR. HEIDRICK: Your Honor, Jay Heidrick.

2 Is that the motion to strike Shamos's opinions on
3 the '956 patent?

4 THE COURT: I believe that's right.

5 MR. HEIDRICK: If that is so, then, yes, Your
6 Honor.

7 THE COURT: You agree with that, Plaintiff?

8 MR. SON: Yes, Your Honor.

9 THE COURT: Okay. Then that's denied as moot.

10 All right. Counsel, before we go any further,
11 let's take a short recess. The Court will reconvene in
12 about 10 or 15 minutes.

13 The Court stands in recess.

14 COURT SECURITY OFFICER: All rise.

15 (Recess.)

16 COURT SECURITY OFFICER: All rise.

17 THE COURT: Be seated, please.

18 Counsel, during the recess, I've reviewed where we
19 are on this pre-trial. I know that we have motions in
20 limine to take up and the final issue of disputed exhibits,
21 which will be pre-admitted in advance of the trial.

22 But other than the Ugone matter that I'm going to
23 rule on based on the papers, I've heard argument on the
24 dispositive motions and have ruled on all of them but for
25 the 101 issue, which I've directed you to provide

1 additional briefing on.

2 What I'm saying in so many words is I do not see
3 any compelling basis to go through the remaining MILs and
4 exhibit disputes today. There's not really any way that we
5 can finish them within the less than an hour that we have
6 left.

7 Consequently, we're going to bring this pre-trial
8 to a close for today.

9 I have set aside time beginning at 1:30 on August
10 the 26th to reconvene and to complete the pre-trial that's
11 outstanding at that point. I'll re-notice the second
12 pre-trial -- or I'll notice the second pre-trial for August
13 the 26th at 1:30, shortly.

14 I am directing that you continue to meet and
15 confer, particularly on the exhibit disputes, as well as
16 the limine disputes, in the hope that they can be narrowed
17 further from where they are now to where they'll be when we
18 reconvene on the 26th.

19 But given the time that what we've done so far has
20 taken this afternoon and what we have before us, it seems
21 to me the better part of valor is to reconvene on the 26th
22 of August and to let what's happened so far conclude the
23 efforts on pre-trial for today.

24 So with that, I'm going to order you back on
25 August 26th at 1:30.

1 In the meantime, the Court stands in recess.

2 COURT SECURITY OFFICER: All rise.

3 (Hearing concluded.)

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CERTIFICATION

I HEREBY CERTIFY that the foregoing is a true and correct transcript from the stenographic notes of the proceedings in the above-entitled matter to the best of my ability.

/S/ Shelly Holmes
SHELLY HOLMES, CSR, TCRR
OFFICIAL REPORTER
State of Texas No.: 7804
Expiration Date: 12/31/20

8/19/19
Date